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AMERICAN FOREIGN INVESTMENT

By E. Stuart Kirby.

Expectations of economic development in the Far East largely depend on the prospects of assistance from the United States. The U.S. has allocated vast sums to foreign countries since the war; these amount to about one-and-a-half times the whole total of American external holdings before the war. After the First World War also, the U.S. gave international assistance; this fact is now sometimes forgotten. But the amount already furnished since World War II is at least five times as great. There seems no objective reason why this flow should not continue. Previous articles in this series (*Far Eastern Economic Review*, Sept. 1st and preceding issues) have considered mainly the subjective difficulties on the Asian side. It is necessary also to estimate the American attitude. What is the actual tendency of American investment, and what are the intentions on the American side, in the light of present experience?

First, it is interesting to note that the concept of "investment" is nowadays becoming increasingly vague. The term formerly indicated a definite contractual relationship, pecuniary in form and materialistic in spirit. Even in prewar times, material gain in terms of future income was never perhaps the sole criterion; but it was generally, in all but the most special cases, the decisive one. Since the war, however, other considerations have predominated: America is spoken of as "investing" in international goodwill, security, liberty, future improvement, etc. The term now tends to be applied to any of the disbursements of the United States. These are so varied that it is necessary to use some vague expression, such as "outgoings", to cover them all. Perhaps the formula "foreign aid" is the one most in line with the spirit of the age.

U.S. foreign aid since the war may be listed by categories somewhat as follows, roughly in the order in which it ranges from the class of outright gift to that of true investment. 1. Charities (some worldwide, some specific to given areas or purposes), 2. Lend Lease, 3. Direct governmental advances by the U.S., 4. Economic Cooperation Administration, 5. Bank Loans (with U.S. Government, international agencies and private persons participating in various

degrees), 6. Private business investment by American concerns. Here are varying degrees of the admixture of idealism and material calculation; but it is as foolish to deny the presence of the one element as of the other.

A second main point is that almost all the activity in question is now channelled through the U.S. Government. This is not quite so new or sudden a development as people in other countries sometimes imagine. In fact there has been (relatively speaking) little private investment by Americans abroad since as early as 1931. The stoppage began with the Depression period, and increased as more and more foreign authorities defaulted on their bonds. Ever since then, the situation has been that nearly 50% of foreign dollar bonds outstanding were in default. The low quotations ruling in the U.S. for foreign securities, even those of countries with really good records of debt repayment, reflect the consequent distrust. This affects primarily the field of what is called "portfolio" investment. This refers to what is especially the domain of the individual small investor, i.e. securities (government bonds or company stock) which can be bought or sold freely and in small amounts, which are customarily quoted on all stock exchanges, and carry no more than an individual creditor's rights in the country of issue.

Investment by corporations or syndicates, in larger denominations, carrying special controlling rights or guarantees for the investor, is termed "direct private investment". In the foreign field this was also at a comparatively low level in the 1930's, though not so low as "portfolio" investment.

The following (Table I) (from data published by the U.S. Dept. of Commerce) shows the various kinds of aid given to foreign countries since the war (in millions of \$). The minus sign shows a net inflow, i.e. repatriation, in the item concerned.

This makes the general proportions clear, with the predominance of gifts over investments, and the relatively small scale of direct private participation. Private foreign investment was reviving to some extent. But the period covered in this Table includes very few of the ERP (Marshall Plan) payments, which will greatly swell the government part after mid-1948, and will be largely classifiable as grants. It is necessary to allow, on the government side, U.S. investments in the Bretton Woods institutions; they amount to nearly \$3,400 million in capital already paid up, and about \$2,500 million more that might be called up by the International Bank for Reconstruction and Development. The relevant entry to add to Table I above might be the dollar funds disbursed by the IBRD and the International Monetary Fund, drawn from these U.S. holdings: viz., (\$ million) 761 in 1947 and 324 in Jan.-June 1948.

Table I: Outgoings of U.S. funds, July 1945—June 1948

	2nd q of 1945	1946	1947	1st q of 1948	Total
— (Millions of US\$) —					
From private sources:					
Gifts	232	598	568	319	1,717 (8%)
Direct investments	95	140	667	240	1,142 (6%)
Portfolio	240	-115	-165	5	-35 (0%)
Short term balances ..	30	310	227	201	768 (4%)
Total, private	597	933	1,297	765	3,592 (18%)
From government sources:					
Grants	2,730	2,279	1,812	1,602	8,423 (42%)
Loans	813	2,908	3,828	761	8,310 (41%)
Short term balance ..	85	-134	72	-214	-191 (-1%)
Total, government	3,628	5,053	5,712	2,149	16,542 (82%)

Official U.S. figures (Treasury Dept., "Census of American-owned assets in foreign countries" 1947, and Press Releases 1948) enable further comparisons to be made, in balance-sheet form, as follows (Table II). (Claims in respect of World War I or Lend Lease are ignored, but right under other "aid" headings are included).

A large part was played in 1947 by the loans to Britain and France, which account for most of "government owned, long term, other".

The nature and course of the governmental activities is well known and requires no further description here; but less is known of recent U.S. private activity in the field of foreign lending, and it will be useful to give some indications on that side. The U.S. Foreign Commerce Weekly (August 21, 1948) gives particulars of the private investment in 1947. Besides placing \$501 million abroad (on balance), private interests took up some \$240 million worth of debentures of the IBRD. Whereas about \$360 million of old foreign loans came to term or were repatriated, the corresponding new loans totalled only \$152 million. The breakdown of the "direct investments" entry, \$667 million, is interesting. The biggest single constituent is the petroleum industry, with \$353 million, nearly all in South America and the Near East. \$124 million went to buy ships, for American-owned operation under foreign flags. A large part of the remainder went to South America.

Informed comment on this subject in America rightly stresses the following aspects. (a) The investors, seeking security of capital and interest, chose countries where there was no particular hostility to foreign capital or foreign persons. (b) The products in question are those which are required by the U.S. but cannot readily be produced on an expanded scale in the home country. (c) The investors did not choose the secondary industrial or manufacturing field, in which there are plenty of opportunities at home with more attractive prospects. (d) These tendencies are likely to be intensified: e.g. American oil companies plan to invest nearly \$2,000 million in the Near East during the next five years, and American steel companies are investing \$60 million in Venezuela in 1949. (e) It is clear that much more investment of these types would be

forthcoming for other countries also, if the latter offered as much in assurances, security and friendliness; on those conditions, it is suggested, big concerns would invest elsewhere on similar scale, and in addition a great revival of "small man" investment could also take place.

In this postwar investment, American private capital is going into extractive industries and undeveloped countries—though avoiding politically unsettled areas (such as the Far East) and those where there have been extreme measures of nationalisation (such as Mexico and, in less degree, Argentina and Bolivia). In kind and destination, this flow shows a complete departure from the pre-war situation. Before the war over 30% of private American foreign investment went to Canada, and a similar proportion to Europe; so that about 70% of pre-war investment was in well-developed countries and was of a type not implying any special or direct operational control over the enterprises concerned. Though private investment is at present relatively small, it has great potential importance, both quantitatively and qualitatively.

* * *

This sketch of the trends of American investment may shed some light on the prospects of future American collaboration in the development of Eastern Asia. Discussion of that problem in the Far East itself tends to consider the demand side, the needs and wishes of the prospective recipients, without looking closely at the supply side, the inclinations and dispositions in America.

Apparently there is little scope in the Orient for private American investment in the immediate future. The government will have to tackle the major problems, in the order of their importance; in so doing it will set the framework within and around which private enterprise may operate. Nevertheless the tendency to think solely in terms of inter-governmental arrangements, which is becoming habitual in the Far East, is misleading. Private American investment has great potentialities in the area, and is even at present pressing for an entry, wherever conditions make that possible. Individualism is still very strongly the basis of American life, and it is only accidental circumstances that are tem-

porarily screening other countries from the impact of its activity. The American state may act now to secure and stabilise the general framework; but it will relax and abandon its control as soon as possible, wherever it sees a possibility of restoring freedom of enterprise. The governmental initiative is accepted as a temporary or emergency measure only, as in wartime. When the emergency has been met it will give way to individual initiative. The approach will then be that of the individual American, with his strong desire for material development and his belief in the economy of high wages, willing to give the utmost help to anyone who is willing to help himself. There is tremendous scope in the Far East for this naive but forceful attitude, which may ultimately have a great impact in this area, where indeed many of the counsels are over-wise and over-stale.

Meanwhile, it is for Government to act. Some sort of "phasing" is inevitable or natural. The steps would have to be taken in order, though each stage would have to overlap with the next. It is interesting to note that both the steps themselves and the order in which they would have to come, might differ in the case of the Far East from that of Europe. For example the immediate phase might be the securing of the physical (military) integrity of the area. The latter is not defined, but is assumed from recent statements to include everything outside Communist China. Non-economic considerations might predominate at this stage, but economic factors would be significantly involved, since one of the prime requisites would be a general co-ordination and integration of basic economic activities in the area. This would have to include some planning of industrial production and food supply. It therefore involves the question of rehabilitation. The damage and losses of war must be replaced, and each country's normal capacity restored. A certain amount has been done in that direction—but the results are incomplete, and uneven.

At some later points in this stage, as rehabilitation becomes fairly complete, it seems reasonable to move from the category of "aid" proper into that of "investment" proper. All assistance up to that point might be unrequired, free and unconditional (as far as economic considerations are concerned); but after that point some slight scale of return (as interest) might be expected. The third stage, which might be called reactivation, supposes the improved use of the restored facilities, and the resumption of the general trend of progress. The Marshall Plan in Europe really works to that effect, from the technological and organisational point of view, though its provisions are expressed in terms of another sort of problem, that of dollar solvency. Reactivation leads at once to the fourth phase, development: i.e., the fundamental investment of basic resources. A short term programme in this phase might envisage no great scale of return, but any longer-run scheme would have to be definitely a business proposition.

Table II: American Assets in Foreign Countries (in million U.S.)

At end of:—

	1939	1945	1947
Privately owned:			
Long term: direct investments	6,750 (48%)	7,600 (44%)	9,400 (32%)
" " other . . .	6,100 (44%)	7,200 (42%)	5,700 (20%)
	12,850 (92%)	14,800 (86%)	15,100 (52%)
Short term	1,050 (7%)	900 (5%)	1,600 (6%)
Total, private	13,900 (99%)	15,700 (91%)	16,700 (58%)
Government owned:			
Long term:	40	1,600 (9%) IMF & IBRD Other	3,385 (12%) 8,315 (29%)
Short term:	0	N.A.	11,700 (41%) 400 (1%)
Total, government	40	1,600 (9%)	12,100 (42%)

The above is entirely a theoretical construction, intended only to give an example of the way in which such general planning has to be "phased". The nature and purposes of such a programme may be clear to the planners, but they will never be appreciated by the general public unless the "aid" content and the "investment" content are openly and unmistakeably distinguished.

Remarks have been made in these pages about the ideological and terminological confusions fostered by the Communists; it might be added here that another source of confusion is the present U.S. propensity for trying to talk idealism and talk business at the same time. This is perhaps especially dangerous in the Far East, where the American attitude has always appeared to be tinged with paternalism or patronage, and is only too easily taken for hypocrisy, by those who do not understand how genuinely and sincerely the two motives are intermingled. Would this not be avoided if, in any general scheme, stipulations were made against each point as to whether no return was expected, whether a non-specific return was expected, or whether a specific return was expected? These stipulations would fall into "economic" and "non-economic" categories. Their presence would make all the difference between presenting a concrete programme, and appearing merely to be manoeuvring for position.

Applying this, for the sake of example, to the sequence of phases suggested above, it might be possible to present a series of separate plans, each with its own charter of agreement and schedules of commitments, under the corresponding headings: e.g. 1. Defence Plan, 2. Rehabilitation Plan, 3. Reactivation Plan, 4. Short-term Development Plan, 5. Long-term Development Plan. Each could be instituted as soon as its predecessor was well under way. In real life, the sequence chosen might be different. In the Far East today, the U.S. is believed (for example) to be still disinclined to put the military commitment first.

* * *

So far, in the case of East Asia, only the first three stages have been approached. But it may be remarked that in actual cases in the direct American sphere of influence the course of events appears broadly to bear out the above interpretation of American intentions. In Japan, these intentions have had a free hand; there, once the basic military and political tasks were accomplished (disarmament and democratisation), Japan began (still at U.S. expense) to be rehabilitated and reactivated. Now the stage has been reached where private American investment in Japan is practical policy. The policy of the Philippines (quite independent, but with American co-operation and approval) shows the same basic trend: government control, successfully used for the rehabilitation period, is now to give way to free investment (see *Far Eastern Economic Review*, Aug. 18, p.213).

Political and Economic Changes in the Far East

Compared with the pre-war position of most Far Eastern countries significant changes of a lasting character have taken place during the years of war and following the surrender of Japan in 1945. Both post-war territorial changes and the decline of colonialism have exerted profound influence on the economies of the Far Eastern countries. The United Nations Economic Affairs Department in its annual survey states that the rise of economic planning and control, including the extension of state enterprise in production, trade and banking, the introduction of managed currency and the attempt to control prices as well as foreign trade and exchange, are the manifestations of the wartime and postwar tendency towards increasing participation by the State in economic activities. Industrialisation has brought about changes and agrarian reform has come to the fore in many countries. Labour is now increasingly asserting its right to organize in face of the rising cost of living. Inflation in many countries has brought about changes in the distribution of wealth and income. Finally, there have been significant changes in international economic relations, in trade and in balance of payments.

(1) Decline Of Colonialism

The history of colonial rule in the Far East varies in duration from decades to centuries for the various metropolitan Powers. Under the slogan of "Asia for the Asian," Japan set out during World War II to expand its colonial domain. The procedure

Other governments in S.E. Asia are ready to welcome constructive foreign investment. Popular opposition to foreign capital is weakening in some places. In most countries there are however complicated and restrictive conditions attached to any investment. If the U.S. attempted bilateral or group negotiations on this issue alone, it might have even less success than it had on this question at Havana (International Trade Organisation, 1947) and Bogota (Pan American Conference 1948), when the undeveloped countries insisted that each country should have unqualified control of all foreign interests in its territory. But if it were part of an Aid Pact underwriting present security, and also associated with a greater Plan of specific proposals for partnership in future development, the master would be placed on quite a different footing. Even so, the complicated rules and safeguards now imposed in various countries would be cumbersome and would hamper effective planning. In this and other respects, the Eastern nations might move further in the direction of reciprocity; in that case concrete proposals might be elicited from the U.S. But time presses, and there may be no leisure for protracted preliminaries.

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adopted differed from that followed by other metropolitan Powers in earlier days, but the objective remained the same. Four independent regimes were established in Burma (1 August, 1943), the Philippines (14 October, 1943), Indochina (9 March, 1945), and Indonesia (17 August, 1945)—immediately after Japanese surrender but before Allied re-occupation). Military defeat, however, put an end to Japan's thinly disguised attempt to unify Asia under its domination.

National independence has increasingly become the common aspiration of countries under metropolitan rule. Even before the war ended, the Allied Powers had pledged support to the Asian desire for independence and freedom. Independence was pledged by the United States, Great Britain, and China to Korea in the Cairo Declaration (1 December, 1943), while Manchuria and Taiwan were to be restored to China. The Philippines became independent on 4 July, 1946, and Burma on 4 January, 1948. The Federation of Malaya, with a constitution of its own, came into being on 1 February, 1948, in place of the Malayan Union which had been established on 1 April, 1946. In Indonesia and Indochina the differences between the peoples and the metropolitan Powers remain as yet unsettled.

With the decline of colonialism the region is entering into a new age of independent economic development. The transition from colonial to national economy has proceeded with varying speed and success in different countries. But certain trends are visible. First, there is a definite tendency towards national economic independence, characterized by the desire for balanced economic development, and by the imposition of controls over trade, exchange and investment with a view to fostering such development. Second, the Governments in the newly independent countries have embarked, or are planning to embark, upon programmes for industrialisation, initiated and in many cases financially supported by the State. As part of these programmes, state enterprises in production, trade and banking have been set up in several countries.

Internal political and economic instability has accompanied in a number of cases these political changes. Burma, the Federation of Malaya, and the Philippines have all had their share of civil disturbance. Inflation, shortages, wartime destruction and deterioration of equipment—all these have contributed to continued economic instability in many countries. Shortage of capital equipment and technical personnel is another handicap to the newly independent countries. Repatriation of metropolitan staff and replacement by local staff, for example, have resulted in an acute shortage of competent technical personnel in civil service.

(2) Territorial Changes

Postwar territorial changes have reduced the size of empires and have signalled the emergence of several newly independent nations in the Far East. Among these changes the most important is the disintegration of the Japanese Empire. Japan's industrial production at present is only 32 per cent of the peak level attained in 1941, or 64 per cent of the level in 1930-34. Japan's future industry and trade is likely to differ from prewar. Two-thirds of its large cotton textile capacity was destroyed during the war and with the rise of the cotton textile industry in other countries of Asia, it is unlikely that Japan will regain its dominance in this industry. Similarly, the industrial development of the light consumer goods industries in other countries of Asia may well reduce the dependence of these countries on Japan for these types of goods. On the other hand, the desire for industrial development on the part of all countries of Asia and of the Far East might result in a heavy demand for Japanese machine tools and industrial machinery and equipment. To survive economically, Japan's exports must be large in order to pay for the raw materials and food which previously came in large part from the yen bloc of the Japanese Empire.

Another territorial change is the rise of independent Korea, which at the end of the war was divided into two zones, South Korea under American occupation and North Korea under Soviet occupation, with the 38th Parallel as the dividing line. The subsequent establishment in late 1948 of Korean governments in the two zones has not seemed to alter the fundamental situation. The 38th Parallel divides the country into a northern zone with three-fifths of the area and less than one-third of the population, and a southern zone with only two-fifths of the area but over two-thirds of the population. Through the differences in the policies pursued at first by the occupation authorities and now by the North and South Korean Governments, the economy of the two zones has undergone fundamental changes. The economy of the country has been disrupted as a consequence of the new political division. The south was deprived of northern ores, chemicals, lumber, fabricated metals and ultimately of hydroelectric power. The north, in turn, lost southern rice, textiles and other consumer goods.

A third territorial change is the restitution to China of Manchuria and Taiwan. China, through such restitution, would have better prospects of industrial development were post-war conditions less affected by civil disturbances and other factors. In Manchuria the industrial structure which Japan had built up since 1931 was dismantled or damaged soon after the conclusion of war. Taiwan was also developed by the Japanese and ex-

cept for some damage from Allied bombing, remained economically intact; since restitution it has been used by the Chinese Government as an important industrial base.

Among less far-reaching territorial changes is the establishment of the Federation of Malaya. On 10 October, 1945, the setting-up was announced of a constitutional Union of Malaya, consisting of the nine states in the Malay Peninsula and of the two British settlements of Penang and Malacca, while the settlement of Singapore was to be constituted as a separate colony. On the termination of the British Military Administration at the end of March 1946, the Malayan Union and the Crown Colony of Singapore were established. On 1 February, 1948 the Malayan Union was replaced by the Federation of Malaya, with similar territorial scope but with a constitution providing for greater autonomy than the earlier one for the Union.

Another minor territorial change since the end of the war was the restitution by Siam to Malaya, Indochina and Burma of the territories occupied during the war. The peace treaty between Siam on the one hand, and Great Britain and India on the other, on 1 January, 1946, provided for the return to Britain of the four Malay and two Shan states ceded to Siam by Japan in July 1945. France, too, concluded a treaty with Siam on 17 November, 1946 by which Siam restored the Indochinese territories ceded by the Vichy Government in 1941.

(3) Economic Planning and Control

Economic planning and control have been increasingly evident in the Far East. Even before the Soviet First Five-Year Plan, China in 1921 had had a plan prepared by Sun Yat-Sen, who proposed "that the vast resources of China be developed internationally under a socialistic scheme" as a means of readjustment of war industries in countries affected by the First World War. The Soviet experiment drew world-wide attention to the possibilities of economic planning and control, while the great depression of the 1930's demonstrated the need for planning in other economies. Japan used it to hasten the materialisation of its designs for continental expansion on the Asian mainland, in Manchuria in 1931 and in China in 1937; while China, in self-defence, started economic planning and control through the establishment of several government bodies, especially the National Resources Commission, which since 1935 has become the major state enterprise in the development of electric power, mining and machine making.

Burma, North Borneo and the Philippines have, since the war, drawn up programmes for economic development. In 1948 plans were prepared by France on behalf of Indochina. In countries under Allied occupation, Japan and Korea, plans were also prepared for post-war rehabilitation and reconstruction.

Probably the earliest and most extensive trend toward economic control has been the rise of state enterprises in the field of public utilities and transport. In many countries, railway transport and power generation were the first to come under state ownership and control, followed in recent years by road transport, shipping, commercial aviation and irrigation. Before World War II, few industries were owned and operated by the State, but during and after the war, the position had changed. Several Governments, especially China, developed basic industries like mining, power and machinery, with the purpose of providing a minimum basis for industrialisation. In territories regained from Japan, notably Occupied China, industries operated in wartime by enemy or puppet administrations were wholly taken over by the State.

The newly independent countries, in particular the Philippines and Burma, took over state-owned industries formerly under colonial administration. Meanwhile, new state industries been established for the promotion of economic development along independent national lines. In Burma, there has been a strong tendency towards nationalisation of the few existing industries.

Apart from public utilities, transport and production, other fields, including banking, currency, exchange, and trade, have increasingly come under state control. With the growth of budgetary deficits to meet the needs of war and postwar financing, and the consequent inflation, there has been a tendency to adopt managed currency systems, or in some cases, to modify the automatic exchange standard. Parallel to the adoption of managed currency systems was the establishment of central banks. In China and also Japan, central banks were established before the war; in Siam during the war; and in Burma and the Philippines, after the war. In Malaya, where a central bank has not been established, a currency board and a currency commission perform respectively the function of controlling note issues. It is significant that all these central banks are state-owned and state-controlled institutions. It remains to be seen how far such newly created monetary machinery will succeed in regulating the supply of and demand for credit and in guiding capital into industry. Besides central banks, state-owned and controlled financial institutions have been set up in some countries for the purpose of providing capital funds for industry.

(4) Changes in Production Patterns

The trend towards industrialisation in the Far East dates from before the war, but its tempo was increased under the exigencies of war. In its broad sense, industrialisation may mean the application of modern technology and methods of organisation to all branches of economic activities, but industry and transport have proceeded faster than agriculture in the application of modern technology and methods of organisation except in such countries as Malaya and Indonesia where the

modern plantation system has been widely introduced. Among manufacturing industries, production by modern methods has developed more rapidly and extensively in the manufacture of wheat flour, sugar, cigarettes, matches, paper, etc., than in the basic industries, such as fuel and power, iron and steel, engineering and machine-making. Industrialisation of the Far East is bound to affect not only its own economies but also its economic relation with others, although the effects will become apparent only after an interval.

The war saw not only an increase in the tempo of industrialisation but also a shift in the potential weight of the industrial power of the countries of the region. China's industrial production has fallen off drastically during the three years of civil war, but its industrial potentialities have been greatly increased with the restitution of Manchuria and Taiwan. As soon as internal peace is restored, China should be able to expand industrial production at a rapid rate. Japan, thanks to its large manufacturing capacity and abundant supply of technical personnel, may continue for some time to enjoy substantial advantages in industrial production over China, but its reduced resources in food, minerals and raw materials point to a weaker position both absolutely and relatively to China.

Besides industrialisation, there has been a demand for diversification in production e.g. in Malaya and Indonesia whose economy is built on a few staple products for export, such as tin and rubber. The movement for diversification in production is, however, as yet at an early stage, and no substantial result can yet be shown.

(5) Movements Toward Economic Equality

Of the various concrete measures of economic equality the most notable is perhaps the introduction of agrarian reforms in China, Burma, Japan and Korea.

In many countries of the Far East, demand for agrarian reform has grown in the last few decades with the increasing commercialisation of agricultural production and concentration of land ownership. Landlordism, often of an absentee type, has given rise to a string of middlemen whose exploitation of the tenant cultivators brings out even more glaringly the inherent weakness of an antiquated system of land tenure. The rise of communism has been accompanied by measures for land reform. In China, indeed, communism has for the last two decades been closely associated with the movement for land reform. Broadly speaking, in those parts of China which are under communist control, the movement has gone through four stages. During the first stage from 1927 to 1937 (the year of Japanese invasion of China), outright confiscation of land belonging to large owners was accompanied by nullification of contracts of rural indebtedness. The land so confiscated was redistributed to agricultural labourers, "poor" or "middle" peasants, and family members

of the Red Army, in accordance with the size of family and labour power available. During the second stage (1937-45), outright confiscation was replaced by a more moderate programme of rent and interest-reduction, in order to enlist the support of the land-owning class in the common cause of increasing agricultural production for the prosecution of war. During the third stage, from the Japanese surrender onward (1945-47), the policy of outright confiscation was restored in the case of lands owned by enemy nationals, puppet officials and local gentry charged with wartime acts of oppression of the people. Rent and interest-reduction was, during the first year of victory, continued in respect of landowners, with the proviso, however, that wartime payments of excess rents or surcharges be refunded to the tenants, and that after such refunding, tenants be given priority in purchasing land offered for sale by owners.

The fourth stage commenced when on 10 October, 1947, a new Land Law, first passed at the National Land Conference on 13 September, 1947, was proclaimed by the communist authorities. Landlordism was declared to have come to an end. Redistribution of land, except in areas where land had been equitably distributed and where no demand was made for redistribution, was to be carried out equally among all villagers, but with due regard to the quality of land, on a family or household basis.

In North Korea, all land owned by the Japanese Government, companies or individuals, and by certain categories of Koreans, was confiscated and freely redistributed to farmers for permanent ownership, i.e., the land could not thereafter be sold, bought, rented for tenancy, or mortgaged. About 725,000 landless peasant farmers and those having little land received more than one million hectares of free land which formerly belonged to Japanese colonists and their accomplices in Korea.

In South Korea, the Japanese-dominated Oriental Development Company and the land held by individual Japanese were vested in the New Korea Company, set up by the American Military Government on 21 February, 1946. The New Korea Company held about one-eighth of the cultivated land of South Korea, including one-sixth of the rice-fields. It took all the preparatory steps for selling the land to tenants so that when it was dissolved on 22 March, 1948, the National Land Administration which took over its properties and personnel was able to put the land sale programme into effect without delay. The Korean tenants on the land offered for sale were given the first opportunity to buy, paying in farm produce over a period of years. As of 30 June, 1948, out of 588,000 farms offered for sale, a total of about 490,000 farms were sold by the National Land Administration.

In Burma, a more moderate scheme of reform than that of communist controlled China or North Korea has recently been adopted. The Land Nationalization Act, 1948, which shall "come into force on such date as the President may by notification appoint,"

transfers the right of possession of all agricultural land not exempted from "resumption" to the State. Agricultural land, including rice or sugar cane land, which is in continuous possession of an agriculturist family from 4 January, 1948, up to the extent respectively of 50, 25 or 10 acres, is exempted from "resumption" by the State. For land whose possession is resumed by the State, compensation not exceeding twelve times the land revenue assessable on the land in the year 1947-48, plus compensation for "constructional improvements," is payable to the owner. The land so resumed shall be distributed to all agriculturist families other than those which have been granted exemption. A beginning in the enforcement of the law has been made since 1 January, 1949.

In Japan, the land reform programme enacted in October 1946 and brought into operation on 31 March, 1947 provides for the transfer of land-ownership to farmers who actually till the soil and for improvement in farm tenancy practices for those who continue to act as tenants. The lands to be transferred include those owned by absentee landlords, owner-cultivated lands in excess of those that can be reasonably cultivated by the farmer and his immediate family, corporation-owned lands that do not relate directly to the principal objective of that corporation, and lands capable of reclamation for agricultural use. First priority in the purchase of these lands goes to tenants in occupation on 23 November, 1945 and second priority to other tenant operators. Payment may be spread over a period of 24 years with interest at 3.2 per cent. For those who remain as tenants the law provides for a written farm lease with all principal elements clearly stated, cash payment of rent, and a rent ceiling of 25 per cent of the production from lowland paddy and 15 per cent of that from upland fields. The reform programme was scheduled for completion by the end of 1948. By 31 July, 1948 the total amount of land sold under this programme reached about 1.3 million hectares or about 60 per cent of the estimated target.

It will be seen that the agrarian reforms have been mainly directed to the abolition of landlordism and the redistribution of land. The improved standard of living, coupled with a higher social and political status, may give the peasants a new incentive for production. But in the long-run, in the face of the high population pressure on land in the region, it is doubtful if the increased production resulting from such institutional changes will be large enough to assure the peasant class of a reasonably adequate standard of living. While agrarian reforms are essential, much has yet to be done, in addition to the development of industries, to absorb surplus agricultural population, in encouraging the peasants to organize themselves in such a way as to enable them to apply modern methods of large-scale farming and utilise modern scientific knowledge in improving existing agricultural practices.

Furthermore, the improved standard of living of the peasants will be reflected in increased consumption of essential commodities such as food and clothing,

while the elimination of the rentier class will reduce total demand for certain luxuries and services. The types of demand in the national market will, therefore, be altered to a considerable extent. This may, in turn, bring about a series of adjustments in production, and necessitate a shift in the factors of production from one industry to another.

Labour's right to collective bargaining is being increasingly recognized although its full exercise requires considerable time, in view of the many hindrances that still prevail, e.g., illiteracy; racial, religious and cultural complexity; political division; economic insecurity arising from population pressure, and consequent unemployment and under-employment.

There has been a resurgence of trade unionism since the war. Expansion of communist influence in China will undoubtedly have an important influence in shaping the future trend of the labour movement in Asian countries, especially among the Chinese immigrant labour in South-east Asia.

It is not easy to appraise the extent to which the rise of organized labour has contributed to the improved conditions work. In those countries, such as China and Japan, where labour movements have been stronger or have received an impetus from political struggles, real wages showed some improvement during recent years despite unfavourable economic conditions, although in the case of Japan real wages are less than prewar because of the great shortage in supplies of all kinds. In other countries, the living conditions of workers seem to have deteriorated as a result of the rise of prices especially for food and textiles, and the congestion in living quarters.

(6) Consequences Of Inflation

It is well known that inflation affects the distribution of wealth and income in favour of entrepreneurs, including industrialists, farmers, merchants, and others enjoying variable income, at the expense of fixed-income receiving classes. Wartime and postwar inflation in countries which are largely agricultural in character tends to favour the great mass of rural population through the cancellation, in most cases, of rural indebtedness, and through increasing income from disposal of surplus cash crops. This, however, does not apply wholly to countries like China where, since the early years of war, payment of land tax in kind has been enforced by the Government, or to areas where share-cropping has continued to be the prevalent form of land tenure. Again, in so far as shortage of incentive goods exists under inflationary conditions, agriculturalists in several countries have reverted from cash to subsistence farming, and have, by reviving barter economy, attempted to free themselves from the effects of adverse terms of trade between agricultural crops and manufactured articles.

The fixed income class, especially salaried workers, on the other hand, have suffered a decline in their real income under inflationary conditions. Labour disputes and strikes during wartime were forbidden to workers in essential industries, but with the re-

Japanese Peace Treaty Outlook

The decision by the US Government to go ahead with the preparation of a peace treaty with Japan while not unexpected is a most welcome step forward in the rehabilitation of the principal industrial nation of Asia, Japan. Four years after Japan's surrender the US occupation remains still, in fact though not always juridically, the arbiter of all national affairs which is a situation requiring urgent normalization. The good which the US has achieved in Japan has been appreciated almost everywhere—the detractors were only the Japanese and foreign communists who, as a matter of worldwide policy of obstruction of anything advanced or advocated by the Anglo-American countries, have accused the US of ulterior motives and otherwise waged a very scurrilous attack against SCAP. The achievements of SCAP stand out as one of the brightest and most successful events in the postwar world and General MacArthur will enter into history as one of the greatest

Americans. The Japanese people owe him a great debt of gratitude; he represented at first the magnanimous and truly Christian conqueror whose foremost aim it was to resurrect the vanquished and help them along a new and more satisfactory course of national life. In four years the mutual achievement, of US support, benevolence and guidance and the tenacious, efficient and intelligent labour of the Japanese, has won the world's recognition—and envy. What apprehensions there may have been held, and probably continue to be held in many quarters, about the increase in the Japanese industrial potential, the fact cannot be contradicted that the Japanese nation was bound to rise again given only a short period of peace and some measure of foreign assistance. The amount of US support, in one form or another, has been surprising to the world, and came probably most unexpected to the Japanese themselves but the dividends in good will and sincere friendship which the US are now earning go to prove that the US policy in the postwar period of Japanese rehabilitation was fundamentally sound.

laxation of control since the war they have tended to increase. Through their ability to bargain collectively, industrial workers have been reasonably successful in obtaining wage increases, but it is the salaried employees in civil service, being in most cases not organized and not enjoying the right of collective bargaining, who have suffered the greatest decline in their real income.

(7) International Economic Relations

The integration of the economies of Korea, Taiwan and Manchuria into the Japanese economy, whereby Japan obtained food, raw materials, iron-ore, coal, etc., and supplied manufactured goods, has been cut asunder. The position of Japan itself in the economy of the region as the source of supply of several kinds of manufactured good remains an outstanding question.

The Far East's place in the global system of trade and finance is undergoing reorientation. Before the war, countries of the region were debtors, mainly to continental Europe. Britain was the creditor of Burma and Malaya; France of Indochina; and the Netherlands of Indonesia. Hence, most countries required an export surplus to service public and private debts and pay for invisible services. The obligation was met to an important degree by large-scale exports of rubber, silk and mineral products from these countries to the United States. On the other hand, European countries were important sources of supply of manufactured goods, including capital goods, to countries of the region. The triangular situation applied less to the Philippines—United States and Indochina—France relations than in the case of other metropolitan Powers and dependent areas. The settlement of this multilateral trade involved the transfer of dollars by the dependencies to the metropolitan countries.

The war and its aftermath have introduced important changes in the system. The impaired economic capacity of con-

tinent Europe has resulted in the temporary inability of continental countries to provide the countries of the region with capital goods and other articles either on the prewar scale or proportionate to postwar needs. The effect of this is making its appearance in the desire of the region to have increased trade with the United States as a means of directly financing reconstruction needs from America.

An important factor in changing the traditional multilateral pattern of trade is the uncertainty as to the future of two export commodities of the region—rubber and silk. Rubber, the mainstay of Malaya and Indonesia, is the principal source of dollar earnings for the region, United States consumption alone exceeding 50 per cent of the world's consumption. Its market, however, has been threatened by synthetic rubber. Silk, which used to be one of the principal sources of dollars for Japan, and to a lesser extent China, is being replaced to a large extent by other fibres.

All these changes have affected the regional pattern of balance of payments. The general prewar pattern was one of visible trade surpluses offset by invisible payments in the form of interest, etc., to countries outside the region. Exceptions to this pattern were China and Japan, both of which had visible trade deficits, partly offset in the case of China by large remittances from overseas Chinese and more than offset in the case of Japan by net earnings on services. By contrast, the almost universal current pattern for the Far Eastern region is one of visible trade deficits, increased by invisible items, with the volume of trade at a minimum level. The main reasons for the changed position of the Far East may be summed up as follows: reduction in output and exports of foods, raw materials and other products as a result of war and inflation, reduction in invisible exports (e.g., remittances to China from Chinese abroad), coupled with flight of capital, and the changed position of Jauan.

The question of calling a peace conference has however been deferred until the matter has become very pressing. If not for the 'cold war' complications all over the world the Japanese would have long ago enjoyed full sovereignty instead of, as today, still feeling uncertain about the final outcome of the decisions of the Allies regarding the disposal of Japanese territories and reparations. As however the US are the only power making decisions in this respect—the British Empire and Commonwealth being satisfied to entrust the the US the business of concluding peace with Japan—the opposition of the Soviets, and their followers, will count for nothing. The recent changes in China which presage the establishment of a communist controlled coalition government will not change the actual situation in the Pacific or in Japan. The forthcoming Chinese government will, as has been amply indicated in their very slanderous anti-US propaganda campaigns, speak with the voice of Moscow, i.e. it will try to sabotage all US efforts at concluding peace with Japan. The communist line taken in the Japanese peace issue is that the US is insincere in its desire to negotiate peace with Japan, that it aims at subjugation of the Japanese people and their exploitation as well as their eventual training as an army battling for 'imperialist' aims; on the other hand, the Chinese communists have long ago expressed their wish to make peace with the Japanese but they insist that such a peace would be a harsh one, almost retributive, as the exaction of reparations, and of huge reparations, would be the *conditio sine qua non*; further, 'China' would demand domestic political 'safe-guards' of a great multitude which would start with the Emperor and end with the treatment of industrial labour and rural problems. When SCAP, on May 12, waived all further reparation payments and plant dismantling and was assuring the Japanese of protection in case of any demands being made on Japan for further reparations, the reaction in Japan was, naturally, one of jubilation while 'red China' went on record with a barrage of accusations of 'imperialist' America.

The issue of reparations will, if an all-round peace conference is at all called, frustrate the US effort of putting Japan back on her feet; American generosity and anxiousness to assist in the rehabilitation of Japan must clash with the rather popular Chinese fear of Japanese progress and superiority. The Chinese Communists are now in a perplexing role: on one hand they must play up to the Japanese people, i.e. they must not ask for tough peace terms, and on the other hand, they must express the Chinese people's demands for reparations and for weakening of the growing strength of Japan. But above all, the Chinese Communists have to echo Moscow's voice and since it is a tenet of Soviet policy to oppose any US move, anywhere in this world, it will be "red China's" allotted task to obstruct the calling of a Japanese peace conference.

The Formosan Problem

The impending occupation of Amoy brings the military problem of Taiwan into the forefront; the Chinese Communist Party (CCP) forces already hold the larger portion of the Fukien coast facing Taiwan and will shortly be in a position to launch attacks, of one sort or another, against the only major Kuomintang (KMT) military base which remains under Chiang Kai-shek's full control. As long as Taiwan remains under the KMT the security of a CCP controlled China coast is not guaranteed and therefore the CCP will make all-out efforts to eliminate its opponents from Taiwan, using both military and political means. Whether the KMT control will be continued in the face of new moral and territorial successes of the CCP is doubtful; the existence of a 'fifth column' inside Taiwan is openly admitted by the Taiwan Govt., the morale of the KMT forces is considered low as defections have not been checked, and the total number of trained soldiers, navy and air men is insufficient to withstand a well-planned, daring, sustained, multiple effort of assault of which the CCP led People's Liberation army is deemed thoroughly capable. Thus, the outlook for Taiwan's remaining inside the KMT fold is problematical after the complete subjugation of KMT forces on the mainland facing Taiwan and the elimination of any threat to the People's Liberation army (PLA) from the rear.

Under these premises the question of the re-emancipation of the Formosans becomes more urgent than at any time after the end of war; there are various political parties and movements, associations and clubs established by Formosans surreptitiously inside the Island and openly in Hongkong, Japan, the Philippines and in the US. There was much competition among leading personages of 'Free Formosa' political groups but during recent months,

Nevertheless, Japan will soon be at peace with all the former beligerents, minus the USSR. As regards China's participation and eventual signing of the peace document the matter is as yet obscure due to the shadow existence of the KMT government—which might be induced to sign—and the expected emergence of a so-called political coalition government under communist tutelage—which will proceed as per instructions from Russia, that is: opposition and obstruction, slander and vilification.

Within Japan the attraction of communism is on the wane. The necessity of retrenchment and workers dismissals—a result of previous overstaffing and now imperative government expenditure reductions—have caused some unrest among the affected persons and some labour unions have, in the understandable effort to alleviate the sufferings of an army of unemployed, put up resistance which, in a few cases, went beyond the legally permissible limit. But even the ensuing short government-labour tussle did not lead to an increase in communist sympathies and the general feeling is today that the lure of communism has won off.

under the impact of the sharpening of the KMT-CP conflict and the inclusion of Taiwan in the China civil war, a strong tendency to unite has emerged and eventually, as far as Hongkong is concerned, the politically vocal Formosans have established a single front. In Hongkong reside about 400 Formosans (women and children included) most of whom are business men; students and expatriate politicians are rather few. The local Formosan Association includes almost all Formosans in Hongkong, the majority being opposed to the continuation of Chinese control over their Island and desire either complete independence or a very tenuous link with China provided that China is not ruled by the CCP. Generally, the views of the Formosan business men in Hongkong are well represented by the Formosan Emancipation League and their program is simple; holding of a plebiscite in Taiwan under international supervision (to ensure the absence of KMT pressure) preferably UN commission, requesting the people to decide on the future political status of the Island. It seems that the Formosans in Hongkong feel certain that, in the light of the depredations wrought by the KMT since their takeover in October 1945, an overwhelming decision in favour of independence will be the result.

It is contended that the war-time Allies proceeded arbitrarily when allotting to China the island of Formosa; the right of self-determination was denied the people of Formosa and basic facts, e.g. that the people no longer represent Chinese in the proper ethnic sense of the word nor are they culturally and linguistically Chinese, were ignored. The spirit of the Allied action in disposing of Formosa, as it was another enemy territory, was revealed when the relative declaration stated that the Japanese 'stole' Taiwan from China; historic ignorance was thus also displayed. It is today too late to reconsider the status of Formosa in the light of wartime compacts which were, in any event, made for reasons of strategic, military and political utility; most of these wartime agreements have lost their value today and if it was only possible many of them would be revised if not totally scrapped.

Formosa's problem has become one of major military importance, or rather embarrassment, for the US. It is realised by the Formosan emancipationists that the Pacific defence plans of the US (in which the British Commonwealth shares) would again undergo a revision of considerable magnitude in case of the Island passing under CCP control. That this is to be prevented appears obvious but the means to do it are anything but simple. The logical conclusion to the Formosan problem which now enters its critical stage is the application of democratic principles to the Formosans, i.e. the holding of a plebiscite and the subsequent acceptance, if necessary enforcement by the UN Security Council, of the wishes of the majority of the native population. The KMT is of course opposed to such a course as the outcome of a

plebiscite would eventually lead to a departure of the KMT and its armies from the Island. As the KMT is unable to hold their own on the mainland and can only hope to harass the CCP from the bases on Taiwan the refusal of the KMT to confer the right of self-determination of the Formosans is understandable. The US will certainly not go to the extreme of compelling the KMT to liquidate itself and the submission of the Formosan issue to the UN is not probable as no member state is likely to sponsor it. Thus the outcome of the Formosan dilemma will eventually amount to a further strengthening of the CCP. It is however possible though not very probable that the KMT will maintain itself on the Island, will repulse all PLA attacks and will slowly build up a more efficient navy and air force for air-sea guerrilla actions against the land-based PLA and the CCP regime. In such case the Pacific defence structure of the US could be maintained.

Economically, Taiwan is an asset for its own people and any power which is in control of the Island. It is earning foreign exchange as exports exceed imports. The wealth left by the Japanese has however largely disappeared by way of official and Shanghai immigrants misappropriations and looting. The past record up to the February 28, 1947 rebellion was most compromising for China as a colonial and a modern power but the elimination of the first military governor of Taiwan (Chen Yi) and the instalment of Wei Tao-ming did not result in any real improvement of the over-all economic situation of the Formosans; only with the appointment of Chen Cheang, on December 29, 1948, as military governor of Taiwan did conditions generally progress but at the same time the Chinese civil war approached and the Island became the KMT's last stronghold and refuge. Production has been stepped up and trade is fostered, financial stability appears to have returned with the currency reform of 3 months ago, and there are reasonable prospects for an improvement in the general economic position of the Island's population and the several hundred thousands of refugees from the mainland. But the present calmness will not last long, forces of change are at work.

Decisions cannot be long delayed. It is the responsibility of the US to safeguard the Pacific and the countries of the Far East against political and military upheavals. As long as the authority of the CCP does not extend over the frontiers of China Proper, there should be no cause for concern. But any advance abroad—and Formosa cannot be regarded as belonging to China until the native population have made their decision known—would have to be checked. Hongkong is not the line of supposed CCP aggression but Formosa decidedly is. The taking-over of Formosa by the CCP would constitute a success for the Cominform alliance, i.e. the USSR government, in the current stage of the 'cold war'. To reckon with the continued ability of the KMT to hold Taiwan and even to start a new lease on life from this sup-

Economic Developments In South Korea

Agriculture

Land Reform:—The land reform bill was presented to the National Assembly on March 10. The bill was drafted by the Industrial Committee of the Assembly, which used the plan prepared by the Agriculture and Forestry Sub-committee as basis and also took the Government-prepared plan into account. The bill provides that both redemption and compensation will be implemented to the extent of 300% of annual produce in equal annual installments over a period of 10 years. In the final analysis, the bill means that distribution of land will be completed by continuing present farm rents for 10 years. Practical maintenance of the tenant-farming system for another 10 years will weigh quite heavily on the farmers who already are suffering from heavy debt obligations. It is generally hoped that the projected land reform will come up to popular wishes.

Purchasing of Rice:—As of March 28, 1949, the government had purchased 3,860,949 *sun*, representing about 51.4% of the original goal. The figure showed an increase of 3.2% over the previous month. Enforced collection methods were used in some places in accordance with revised regulations relating to the enforcement of the Grain Purchasing Law. Rice collection, however, still was unsuccessful. At this juncture, the government effected a *volte-face* in its rice collection policy by submitting to the National Assembly an emergency food bill permitting free trade in grains by those farmers who fulfilled their obligations under the original rice purchasing act.

Collection of Raw Cotton:—As of March 15, 1949, the government had collected 3,930,000 *keun*, an increase of about 400,000 *keun* over the previous month. The cotton collection will come to an end at the end of March and it is not expected that much will be collected thereafter.

Collection of Straw Products:—During the past year, 5,000,000 straw bags were exported to Japan. Japan has ordered another 10,000,000 bags from Korea this year. South Korea consumes about 40,000,000 bags and 10,000,000 *kuwan* of straw rope a year.

posed island-fortress may eventually turn out to be nothing but wishful thinking. It would appear necessary to persuade the KMT to agree to the holding of a plebiscite but to delay the eventual transfer of sovereignty from China to the Formosans—provided that the majority decision so demands—stipulating a time which would not be too far off so as to placate the more rabid Formosan emancipationists. A modus vivendi between the KMT and the Formosan independence movement could, in case of the KMT agreement regarding the holding of a plebiscite, be arrived at as undoubtedly the political leadership of the Formosans is not in favour of introducing communism into the Island.

Even if second-hand goods can be used, the minimum demands for straw products in Korea amount to 27,500,000 bags and 8,000,000 *kuwan* of rope. The government has worked out a plan to purchase the estimated quantities of straw products and requested the National Assembly to approve an appropriation of 1,000,000,000 won for the purchase. The Assembly approved the government plan on March 26. Beginning to purchase the specific products at this time of the year, government agencies may meet with some difficulties in implementing the plan.

Fishery

Fishing Conditions:—The fishing industry sustained heavy losses from the rainstorm that hit both the western and the eastern shores of the country from February 3 through February 5. North Kyongsang Province alone suffered losses in fishing boats and nets and other equipment estimated at 310,-000,000 won. Losses in North Cholla Province were estimated at 10,000,000 won or more. Fishing operations in general are not in good shape. Particularly in the district of Kunsan in North Cholla Province, the catch represented only 60% of the previous month and about 50% of the catch in February, last year. Fishing was relatively brisk only in the district of Mokpo, in South Cholla Province. A bad harvest of laver also seems to be inevitable this year due to the unusually warm winter days and other unfavorable conditions. South Cholla Province, which used to produce 6,000,000 batches a year, is expected to produce less than half of that amount this year. The district of Yosu, in South Cholla Province, still presents gloomy prospects of restoring its prosperous fishing industry, as its general reconstruction is making tardy progress. The State Council is reported to have approved a loan of 220,000,000 won to finance rehabilitation of fishing facilities.

Export of Marine Products:—Government purchase of laver, sprats, shrimps, agar-agar and other marine products to be used as export goods was stepped up from the beginning of March after a lag. Government purchase of agar-agar in the past has been conducted in accordance with a contract between the authorities concerned and the Agar-agar Association. The Fishery Subcommittee of the National Assembly, however, recommended that a contract be concluded with the Fishery Association. As a result, on March 25, a contract providing for the purchase of 350,000 *keun* of agar-agar was signed between the authorities concerned and the Fishery Association. No definite policy concerning the other party to the contract has been established yet and a satisfactory settlement of the question is hoped in the near future.

Negotiations for a trade accord between Korea and Japan were conducted in Tokyo between a Korean delegation

and the officials of the SCAP. An agreement was reached. It is expected that, under this agreement, dried fish, and other Korean marine products will be exported to Japan, while fishing nets, fishing boats and spare parts, as well as other materials needed in the rehabilitation of the fishing industry, will be imported from Japan.

U.S.A. has ordered 100 cases or more of Korean canned crab. The Canned Goods Industry Association is trying to raise qualitative standards by examination of goods and the setting of grades.

The Korean fishing industry will have to cultivate markets for its products by means of her trade with Japan and other foreign countries on the one hand and acquire and utilize the materials for developing her fishing industry through ECA aid.

Industries

Importance of Reducing Production Cost:— To reduce production costs is as important as quantitative and qualitative advances in Korea's industrial production. With a few exceptions, the prices of domestic products are considerably higher than those of the aid supplies. If such a condition continues to prevail, it will constitute a serious impediment to the development of industrial production in the country. The difference in prices essentially stems from the difference in production costs which in turn stems from the prices of raw materials. The government is planning to institute over-all control of key materials and enforce a priority allocation system taking into account of production efficiency.

Rehabilitation of Cotton Spinning and Weaving Industry:— The cotton spinning and weaving industry in South Korea has continued to operate rather satisfactorily, compared with other industrial fields. About 80% of the domestic raw cotton has been consumed at home. Further progress in the textile industry has been hampered by lack of raw cotton. However, 6,787,000 pounds of raw cotton have been supplied by the ECA since March 16 and the hope for rehabilitating the textile industry has been considerably strengthened. The cotton supplies will enable 250,000 spindles in 11 major spinning mills in South Korea to operate for four months. Including the 7,920,000 pounds of raw cotton held in stock in major mills as March 31, the total stockpiles will account for 78% of South Korea's raw cotton needs for one year. As it is reported that 17,000,000 pounds of additional cotton will be imported by the end of this June, the shortage in the supply of raw cotton in the textile industry should be completely eliminated.

Rehabilitation of Silk Industry and Export of Silk Textiles:— Concrete plans for rehabilitating the silk industry and exporting silk textiles are under consideration. The plan for the first year calls for the export of 5,000,000 yards of silk textiles. Five major

mills are engaged in the manufacture of sample goods out of 200 *kwan* of raw silk imported from Japan. If the plan proves successful, greater efforts will be made to produce and export Korean silk textiles.

The bottleneck in the silk industry still lies in the raw silk supply. No less than 100,000 *kwan* of raw silk will be needed to manufacture the 5,000,000 yards of silk planned to be exported the first year. According to the existing plan, half of the needed materials will be supplied through domestic production while the other half will be imported from Japan. The native raw silk still is inferior in quality to the Japanese produce. Moreover, Japanese raw silk costs US\$2.40 per pound while the native raw silk costs \$5.20 per pound. Exclusive use of native raw silk therefore, would put Korean silk in an unfavorable position on the international market. The authorities, in consideration of these circumstances, have decided to import part of the needed materials from Japan.

Most of the silk mills in Korea are equipped to produce medium or narrow tissue, but silk to be exported must be 36 to 41 inches wide. Readjustment of equipment is necessary to manufacture export goods. ECA aid also is needed in this connection.

Rubber Industry:— The rubber industry for a while was one of the most promising fields in the generally stagnant industrial picture. Too many unqualified new enterprises mis-diverted production of items in cases where the demand was incorrectly diagnosed, reckless competition among too many factories, shortage of materials and lack of overall planning have combined to cripple this industry.

A total of 196 manufacturers have joined the Korean Rubber Industry Association to date. Efforts from January to October, 1948, were almost completely concentrated on the making of rubber shoes so that production during the period was sufficient to provide the total population of South Korea with one pair of shoes per capita. But production of automobiles tires could meet only one-eighth of the total demand. The quality also was poor partly because good raw materials were not used in fear of high original cost. The production of all rubber goods except shoes requires accessory materials other than raw rubber.

In order to promote balanced progress in the rubber industry in the future, it is necessary to control production in pursuance of a definite program, coordinate the activities of manufacturers engaged in reckless competition, and secure raw materials for priority allocation.

Electric Power Situation:— After the average power production dropped to the level of 50,000 KW in December and January. February's output of electricity increased to 66,444 KW, an increase of 7,090 KW over the 59,354 KW generated in the previous month.

Mining Industry

Plan for Coal Mining Company:— Up to the present, important coal mines in South Korea have been directly administered by the Commerce and Industry Department and sales of coal have been handled by the Korean Coal Distribution Company. Government finance has been limited and the administration has not been efficient or elastic enough, so production goals have not been reached. With a view to eliminating such barriers to coal production, the Department of Commerce and Industry is pushing ahead with a plan to establish a coal mining company designed to coordinate both production and sales under a unified authority. It will be capitalized at 10,000,000,000 won which will be supplied through the sales of ECA materials. Medium and small mines will be left to private management but given all possible government support.

Loans to Coal Mining:— Shortage of fund is as serious a handicap to the administration of coal mines in South Korea as shortages of power and equipment. With the inauguration of the Coal Mining Company, the financial difficulties may be solved. It will take some time, however, before the company is formally opened to business.

The government has decided to loan 540,000,000 won to government-administered mines to finance increased coal production.

Condition of Coal Production:— No less than 65% of the total coal consumed in South Korea in 1946 was imported from abroad. The government has worked out a plan to increase coal production in South Korea to 1,600,000 tons or more in 1949. The actual coal production from seven major mines in January, this year, aggregated 44,147 tons, representing 46% of the original goal set at 95,500 tons. The production in February was 49,667 tons, or 53% of the original goal of 93,500 tons. If such conditions continue to prevail, it will be difficult for Korea to become self-sufficient for coal this year.

Silver Purchasing Price Determined:— The government determined the price to be paid for gold and set production subsidies at the end of last year. No decision on silver was taken at that time. On February 28, this year, however, the government set the official purchasing price of silver at 9.00 won per gram in consideration of the quotations in Hongkong. The Bank of Korea began to purchase silver on behalf of the government on March 1.

Foreign Trade

Trade volume in February was 49,000,000 won less than in the preceding month. Export trade dropped by 180,000,000 won from the previous month's value because of the failure to export sufficient quantities of marine products. Imports jumped up by 130,000,000 won from the previous month's total, mainly reflecting increased imports of raw rubber, cotton fibers and other materi-

als. The unfavorable trade balance was more than four times as much that of the previous month, which reached 98,000,000 won. The government will have to carry out a more effectively planned trade policy to balance trade accounts in the future.

Quota System:— The Department of Commerce and Industry has decided to enforce a quota system in foreign trade so as to strengthen the planned and coordinated control of foreign trade. The import quotas allotted to traders since the middle of February totaled 1,850,000,000 won. Designated imports included raw cotton, fibers, chemicals, newsprint, raw rubber and others. Export quotas totaled 1,011,000,000 won including 900,000,000 won of dried shrimps and 11,000,000 won of agar-agar. The President of the Republic has instructed the Department of Commerce and Industry to simplify trade administration and reconsider the new Republic's foreign trade. It is expected that the government will adopt an effective policy when the Korean-Japanese trade gets under way.

Korean-Japanese Agreement:— Trade negotiations began in Tokyo on March 10 between the Korean trade delegation and the officials of SCAP. The talks progressed smoothly and agreement was reached in short order. Under the agreement, the trade between the two countries is expected to get under way about the beginning of April, this year. The agreement is to provide for US\$80,000,000 worth of exchange of commodities, with settlement of accounts in American Dollars. The prices of export and import goods will be determined on the basis of the quotations on the international market at the time of trading. Korea will import machines, electricals, machine parts, chemicals and medicine, while Korea will export marine products, zinc, anthracite coal and possibly some rice. For about a year, the trade between Korea and Japan will be administered by the government or conducted by traders under government control.

Suspension of South-North Trade:— The South-North trade which was resumed in October, last year, was suspended completely at the end of March, this year, for reasons of national defense. While the trade was continued, 174,000,000 won worth of soda ash, carbide, cement, caustic soda and other goods were shipped to the south during January and February, on the other hand raw rubber, cotton yarn, electricals and other goods valued at 140,000,000 won were shipped to the north in February. Shipments from the south in February were valued at 10,000,000 won more than those in January. The trade has been completely suspended in accordance with a request of the National Defense Department.

Banking

Deposits and Loans:— Deposits in various banks at the end of February aggregated about 36,100,000,000 won, an increase of 700,000,000 won over the previous month. Deposits of member banks in the Bank of Korea increased by 700,000,000 won, while private deposits dropped sharply. Loans as of the end of February, totaled 37,900,000,000 won a decrease of 2,000,000,000 won from the previous month. Mainly accounting for the decrease were the withholding of the rice purchasing fund due to the failure of the rice purchasing program, and the return of rice purchasing funds that had been released earlier. During February, only 29,000,000 won of the cotton collection fund was released and other advances were restricted. The Bank of Korea refunded 1,270,000,000 won of the rice purchasing fund and other seasonal funds rediscounted to other banks.

Government Finance

On March 31, the National Assembly approved the regular and additional budgets for the 1948 fiscal year and the temporary budget for April, 1949. The Assembly cut about 300,000,000 won from the 1948 budget. Its main features follow (in Won):—

	Revenues	Expenditures
Ordinary	18,507,563,400	20,149,002,000
Extraordinary	10,961,491,580	9,320,052,980
Expenditures in the additional budget follow:		
Ordinary	396,847,000	
Extraordinary	165,926,100	

Revenue of the additional budget will be supplied exclusively through borrowing from the Bank of Korea. The additional budget is designed mainly to meet the requirements for national defense and security. The additional budget was passed by the National Assembly without any amendment.

Out of the temporary budget for April, 1949, ordinary expenditures amounting to one-sixth of the total budget for 1948, in addition to those sections of the extraordinary expenditures designed to finance census taking and the expansion of railway facilities, were passed by the Assembly.

The budget for the 1949 fiscal year submitted to the National Assembly on March 30, totaled 212,700,000,000 won. This budget represents the first independent plan of its nature worked out in the new Republic free from all influences of the interim government. The government is confident that the estimated deficit of 24,800,000,000 won will be covered effectively. This also is the first step in the direction of establishing a sound financing system in the country.

Commerce

Commodity prices in Seoul in March rose slightly over the previous month's. The general level of wholesale prices rose 0.44% and the general retail price was up 3.33%. In retail prices, grains and foodstuffs rose due to decreased supplies and increased demands. Other commodities remained weak. In wholesale prices, grains reacted sharply to the announcement of priority rations. The rice price continued to fluctuate, but in the middle of the month, it was quoted at 14,600 won per 200 litres as a result of heavy buying and increased demand following announcement of the increased railway transport rates. At the end of the month, the rice price rose again to 14,800 won per 200 litres. Barley remained low as it was included in the ration, but beans and wheat rose due to scarce stocks in the city market. The average index figure of grains rose 4.55% in the wholesale price and 2.35% in the retail price compared with those in the preceding month. Among foodstuffs, sugar and sesame oil advanced slightly but eggs and potatoes declined due to increased supplies. Beer, distilled wine and cider, among the different kinds of beverages, advanced slightly due to increased demands. The average index figure of foodstuffs rose by 9.31% in the retail and 1.16% in wholesale prices over the previous month's. Textile materials as a whole continued to rise due to depleted stocks but textiles remained low due to the changing season and decreased demand. The average index figure of textiles decreased 0.40% in retail and 1.35% in wholesale compared with the preceding month's indices.

Building materials in general remained stable. Metallic goods remained low and their trade was dull. Among different kinds of fuel, firewood and briquettes rose slightly, while petroleum and gasoline declined sharply as they were rationed. Fertilizers, except ammonium sulphate, remained stable. Among industrial materials, sulphuric acid rose slightly but caustic soda and alcohol declined due to increased imports. Washing soap, shoes and brushes, among sundry goods, advanced slightly, but other goods remained low. The average index figure of sundry goods fell by 2.66% in wholesale and 0.90% in retail price compared with the previous month's figures. In business circles in Seoul, only grains moved in sharp contrast to other kinds of commodities. One reason for the dull trading in industrial goods seems to be the popular anticipation of a general decline in commodity prices as a result of the import of ECA materials.

ECONOMIC REVIEW OF THE REPUBLIC OF KOREA IN 1948

(Based on Reports from the American Mission in Korea and the U.S. Army Forces in South Korea)

SUMMARY

Major developments with important economic repercussions in southern Korea during 1948 included the transfer of land to farmers under a land reform program; the cut-off of electric power from north Korea with its adverse effect upon industrial output; the threatened failure of the rice collection and rationing program in spite of a large rice harvest; and the signing in December of an aid agreement between the Governments of the Republic of Korea and the United States as a measure to foster economic recovery in Korea.

The land reform program, as embodied in a military government ordinance promulgated in March 1948, provided for the sale of farm lands formerly owned by the Japanese to tenant farmers on favourable terms. The success of this partial land reform, considered as one of the most progressive economic steps taken in southern Korea under military government, has created pressures which may eventually lead to the distribution of the farm properties of Korean absentee landlords, thus providing a complete land reform.

Economic recovery in south Korea was dealt a severe blow in May by the cessation of electric power deliveries from north Korea. Although attempts were made to bolster power generation following this cut-off, the total power availabilities fell far short of levels attained during the early months of 1948, and decline in the production of many industries resulted from this reduction in power. Industrial production in south Korea showed little improvement over 1947 and compared with prewar years was at a low level.

In agricultural production 1948 was an exceptionally good year, the best since the end of the war. Favourable weather, increased supplies of commercial fertilizers, and heavy plantings all contributed to bright prospects for an improved food situation. The rice crop was particularly good, reported as the third largest in the history of Korea. Despite the excellent crop, it became

clear by the end of the year, however, that the rationed urban population would be deprived of the full benefits resulting from such a harvest of an unsuccessful rice purchase program. By the end of December only about one-third of the collection goal had been met and it was evident that rations and/or the ration rolls would have to be reduced within a few months. The apparent failure of the collection program for the year 1948-49 influenced the currency circulation during the latter part of 1948 which, in turn, had a restraining effect upon inflationary pressures.

After the transfer of governmental functions to the newly established independent Republic of Korea on August 15, negotiations were undertaken to prepare an aid agreement to replace aid provided by the United States Army through the use of GARIOA and EROA funds. GARIOA (Government and Relief in Occupied Areas) and EROA (Economic Rehabilitation in Occupied Areas) funds are appropriated by the Congress of the United States. An Agreement on Aid between the United States of America and the Republic of Korea, which was signed on December 10, 1948, provides that the United States will supply materials and equipment to foster economic recovery in the Republic of Korea. On January 1, 1949, with the transfer of remainder of funds appropriated for the fiscal year ending June 30, 1949, from the United States Army, the Economic Cooperation Administration began the administration of an aid program to Korea.

AGRICULTURE AND FOOD

The principal problem which has confronted south Korean agriculture since the end of the war has been to increase the production of food crops sufficiently to meet the area's requirements. The peninsula of Korea, during the period of Japanese regime (1910-1945), was a food surplus area with rice exports in some years of even more than 1,000,000 tons. This prewar surplus was not, however, as great as exports would seem to indicate since rice was replaced to a large extent by imports of cheap Manchurian grains and the level of consumption of the Korean population was held low. During the war agricultural production declined principally because of reduced fertilizer supplies with the diversion of fertilizer plants and raw materials to production for war purposes. Since 1945 production has not been able to keep pace with requirements owing mainly to continued shortages of fertilizers, normally available from plants in north Korea, and the enormous population increase (rising from an estimated average of 15,700,000 in the years 1940-44 to approximately 20,600,000 in 1948).

The year 1948 in south Korea was exceptionally favourable to agriculture.

A dry spring followed by abundant June rains permitted rice transplantation on schedule and contributed to the success of the summer grain harvest, and, with imports of chemical fertilizers, amounting to more than 480,000 metric tons during the year, fertilizers were available in larger quantities than at any time since the end of the war.

Crop Production

The 1948 rice crop in the Republic of Korea, estimated at 2,323,000 metric tons of brown rice, was the best since 1941 and the third largest in Korea's history. The factors contributing to this excellent crop were the availability of commercial fertilizers, heavy plantings, and good weather including well-spaced and adequate rains. As indicated in table 1, the 1948 rice crop shows an increase of about 10 percent over that of 1947, 26 percent over that of 1946, and 11 percent over the 1940-44 average yield.

The summer grain crops, chiefly barley, naked barley, wheat, and millet, were produced on 1,975,000 acres and yielded 629,000 metric tons of polished grain. Both acreage and yield for summer grains were reported to be above 1947 levels but below the 1940-44 average.

South Korea's Agricultural Production of Selected Crops.

(In 1,000 metric tons)

Crop	1940-44		1947	1948
	Average	1948		
Rice (brown)	2,091	2,111	2,323	
Barley	576	316	491	
Wheat	93	60	85	
Naked barley	415	210	212	
Italian millet	102	104	79	
Soybeans	140	126	184	
Sweet potatoes	235	256	307	
Irish potatoes	161	256	226	
Vegetables	753	675	1,811	
Fruit	56	73	76	

Food Collection and Rationing

The principal measure adopted by the Military Government, and subsequently by the Government of the Republic of Korea, to meet the food requirements of nonproducers, has been to collect a large portion of both rice and summer grains for rationing through Government channels. The first postwar rice collection program, undertaken in the fall and winter of 1946-47, resulted in the collection of some 534,000 metric tons against a quota of 644,325 tons, and a more successful collection was conducted in 1947-48 when 750,000 metric tons were purchased, representing 96.8 percent of the established goal.

The collection of summer grains during 1948, was successful despite the general unpopularity of the program and the shortage of incentive goods other than fertilizers, salt, and sugar. The quota of 107,000 metric tons of polished grain was met by 100.4 percent.

The rationed population of south Korea increased from 9,220,000 persons at the end of 1947 to nearly 10,000,000 at the end of 1948, owing in part to the placement of partial self-suppliers on the ration rolls, the influx of refugees

The Republic of Korea formally assumed power on August 15, 1948. Although claiming jurisdiction over all of Korea, actual control of the new government is confined to that part of the Korean peninsula south of the 38th parallel. About one-third of the people, more than half of the land, and perhaps as much as two-thirds of the resources needed for industrial development of the entire area of Korea lie north of the 38th parallel where another government has been established under the auspices of the U.S.S.R. The division of the peninsula into two zones initiated as a temporary measure has continued since 1945. During the first half of 1948, until the establishment of the new Republic of Korea in August, southern Korea, occupied by the American army and provided with aid from the United States, was governed by the South Korean Interim Government (SKIG).

from north Korea, and the natural population increase. The size of the ration roll was judged greater than justifiable, however, and in December 1948 the Minister of Agriculture reduced the rolls by almost 3,000,000 persons. The average daily staple rations, which were 2.5 hop (about 350 grams) at the beginning of the year, were reduced to 2.2 hop in the spring and to 2 hop in August. With the new rice purchase program, rations were increased to 3 hop (about 1 pound) in the middle of November for Seoul and to the same level on the first of December for south Korea generally. The Government found it necessary in February 1949, however, in view of limited stocks of grains available for distribution during the remainder of the ration year, to reduce the ration from 3 hop per person per day to 2½ hop for the total rationed population of 7,058,000, and in late March in a statement concerning the unfavourable food position, the Prime Minister of the Republic of Korea indicated that the ration rolls would be drastically reduced to 2,892,000 beginning April 1, 1949.

Land Reform

Although the stimulation of agricultural production to meet south Korea's food needs has been the major agricultural concern since the end of the war, attention has also been given to land reform. The movement for land reform, occasioned by the preliberation ownership by Japanese individuals and corporations of 683,000 acres of choice farm lands (constituting 15.3 percent of all arable land in south Korea) as well as ownership by 46,000 absentee Korean landlords of as much as one-third of the farm land of the area, started soon after the beginning of the occupation. Steps taken in 1945, 1946, and 1947, which included initially the vesting of all Japanese-owned property in the United States Military Government in Korea and subsequently the entrustment and management of land by the New Korea Company (a Military Government instrumentality), were followed by new measures during 1948.

In March 1948, a Military Government Ordinance was promulgated which provided for the transfer of former Japanese-owned farm land from the New Korea Company to the National Land Administration. This administration sells land to the farmers under the following major provisions: (1) The first opportunity to buy is given to tenants; (2) second priorities to buy are given to other farmers and farm labourers, including refugees and repatriates living in the neighbourhood and having experience in farm operation; (3) the purchase is normally to be made by payment of the equivalent of three average annual crop to be paid to the Government in kind over a period of 15 years; (4) in cases where the farmer so desires, payment can be completed in a shorter period by annually providing larger amounts of farm produce; (5) the title to the land is delivered to the farmer at the time of completing the purchase contract, but the farmer is not permit-

ted to sell or otherwise dispose of the land until payment has been completed or until 10 years have elapsed from the date of purchase, whichever is later.

The reception of the land reform program by the populace as a whole was extremely favourable; within a 3 months' period nearly 500,000 farms out of a total of 588,000 vested farm properties had been sold to farmers. The impressive success of this partial land reform has reflected itself in the Constitution of the Republic of Korea which calls for the distribution of all farm land to self-tilling farmers. Since the inauguration of the Government of the Republic of Korea, various bills have been drafted concerning further land reform, but thus far no real progress has been made toward the distribution of the holdings of Korean absentee land owners.

FORESTRY AND FISHING

The retrogression of the forests of south Korea continued during 1948 with the total drain estimated at about twice the annual growth. Shortages of coal and electric power resulted in increased demands for fuel wood and charcoal from the forests, and heavy construction needs cut further into the remaining mature timber.

Although attempts to conserve existing forest stocks and to increase reforestation continued, an insufficiency of funds precluded adequate forest protection and reforestation. In 1948 106,000,000 trees were reported to have been planted and nurseries were developed to produce approximately 300,000,000 trees for planting in 1949.

Landings of marine products of southern Korea in 1948 were estimated at 269,136 metric tons as compared with 301,952 metric tons in 1947. The 1948 production, as in other postwar years, was considerably lower than during the prewar period; in some years of the 1930's more than 1,750,000 tons of marine products were landed in Korea (much of this was landed, however, north of the 38th parallel).

Marine products constituted a large share of south Korea's export trade during 1948, amounting to about \$5,000,000 on a government level and comprising about one-half of its trade on a private level.

MINERAL PRODUCTION

Coal.—Notwithstanding the absence of bituminous coal deposits and the poor quality of domestic anthracite and lignite, coal is of greatest economic importance in the present mineral production of southern Korea. The power cut-off from north Korea in May 1948 increased the importance of coal to the Korean economy by reason of the greater need for coal for electric power generation in the thermal plants. At the same time increased production of coal was made more difficult without electric energy from the north.

Anthracite production of south Korea in the Government-financed mines increased to 561,742 metric tons in 1948 from 236,728 and 353,832 tons in 1946 and 1947, respectively. Averaging 20,000 metric tons per month in 1946 and 29,000 metric tons in 1947, production

rose to almost 69,000 metric tons in April 1948, dropped to 55,000 tons in May when electric power from north Korea was cut off, to 39,000 in July, 33,000 in September, and then rose again to 39,000 in October and averaged 48,000 tons for November and December 1948.

In addition to the coal production of the five Government-financed mines of south Korea, anthracite is mined at Yongwol where it is used exclusively by the Yongwol Thermal Power Plant and in numerous independent coal mines not included in a reporting system. Production in 1948 at the Yongwol mine totaled almost 152,000 metric tons. In January of 1949 production was 23,540 metric tons, reflecting a large increase over the 1948 monthly average of 12,632 metric tons. Coal production in the independent mines scattered throughout south Korea is estimated at approximately 15,000 tons monthly.

Production of lignite, which is smaller and less significant than that of anthracite, had been relatively well sustained during 1948, totaling 68,000 metric tons for the year and reaching its highest postliberation production peak of 8,580 metric tons in December 1948.

Lump fuel for use in the railroad locomotives and most of the furnaces of thermoelectric plants must be imported, having been supplied chiefly by Manchuria in prewar years and by Japan in postwar years. Imports of bituminous coal, provided to the Korean economy by the United States as a part of its relief program, amounted to 613,000 metric tons in 1946, 695,000 tons in 1947, and more than 840,000 tons in 1948, all imported from Japan.

Tungsten.—Tungsten, the mineral second in economic importance to south Korea at the present time, has been a vital source of foreign exchange to the economy since the liberation and promises to be of greater value in this connection in the future with improved production methods. Despite the shortage of electric power, production of tungsten concentrates in 1948 was relatively well sustained, totaling 746.6 metric tons of metal content. The 1943 monthly average of 62.2 metric tons of metal content compares favourably with a monthly average of 46.6 tons during the period May through December 1947.

Graphite.—Whereas before the war Korea was the world's leading producer of graphite, since the liberation production has been low as a result of neglected mining equipment and the lack of repairs. Only small quantities of south Korea graphite deposits are crystalline, 1948 production of which is estimated at under 600 metric tons of mineral content for grades A, B, and C. Production of amorphous graphite comes from numerous scattered small deposits and although statistics are generally unsatisfactory, it is estimated that production amounted to approximately 15,000 metric tons of ore in 1948. Korea is currently exporting graphite to Japan, but its relatively low quality makes profitable export to very distant countries impracticable.

Copper, lead, and zinc.—Production of copper was irregular during 1948, totaling 66 metric tons copper content of ore and 514 metric tons metal content of electrolytic copper. Output of zinc and lead concentrates amounted to about 220 and 260 metric tons metal content, respectively, in 1948.

Gold and silver.—The total gold and silver production during 1948 was reported as 107.79 kilograms and 1,197.63 kilograms metal content, respectively. The 8.98-kilogram monthly average of gold production in 1948 compares with an average of 7.34 kilograms for the last 8 months of 1947, and the 99.80-kilogram average for silver in 1948 compares with 90.68 kilograms for the same period in 1947. Production statistics for these, as well as for other minerals in south Korea, are incomplete and reflect only the production of vested properties.

ELECTRIC POWER

The suspension of electric power deliveries from the Soviet-controlled area of northern Korea on May 14, 1948, seriously retarded the industrial recovery of the southern area. The extent to which the economy of south Korea depended upon northern power supplies is indicated by the percentage of deliveries from the north since the liberation; in 1946 and 1947 more than 66 per cent of total deliveries were from the area north of 38th parallel. During 1948 consumption of electricity amounted to 693.8 million kilowatt-hours as compared with 818.8 million in 1947. Total generation in the south, however, amounted to only 489 million kilowatt-hours, the remainder of the consumed power having been delivered from the north before the cut-off in May. It is estimated that if south Korea had depended solely upon its own power resources in 1948, the average monthly availability would have been about 40 percent less than in 1947.

Power generation within southern Korea increased during the year 1948 as a result of the threatened power cut-off in the early months of the year and the actual suspension of deliveries in May. The increase amounted to more than 100 percent, with a rise in monthly production from 21.2 to 44.1 million kilowatt-hours from January to December. The progression throughout the year was not smooth, however, production falling to an average of slightly less than 46 million kilowatt-hours during the last 4 months of 1948 from a peak 56.1 and 55.6 million in the rainy months of July and August, respectively. The importance of hydroelectric power is indicated by the fact that during these peak months more than half of the power came from hydrogeneration.

The principal thermal power plant of south Korea is at Yongwol. Although this plant was extensively rehabilitated during the summer and fall of 1948 and is reported able to produce from 50 to 55 thousand kilowatts of power with a monthly coal supply of 44,000 metric tons, a shortage of coal limited the power supplied to 20.7 million kilowatt-hours in November and 16.2 million kilowatt-hours in December. The

realization of Yongwol's potentialities is considered the best opportunity for the Republic of Korea to approach a tolerable level of power supply in the near future.

MANUFACTURING

Industrial production, which is of minor importance in the economy of southern Korea, consists largely of the manufacture of consumer goods such as textiles, processed foods, paper, rubber products, and miscellaneous items. Much of the total output of Korea "manufactures" is, however, from household industrial units.

The shortage of electric power in 1948 was the chief factor limiting further industrial recovery in south Korea. Some factories solved their power problem in part by obtaining individual generators, but in most cases plants closed down, either completely or part time. Available power in certain areas was allocated to one factory for one month and then to another similar establishment in the next month.

During 1948 the spinning of cotton yarn in factories (5,919 tons) was only slightly higher than in 1947 and the production of cotton cloth (25 million metres) showed a slight decline. Power reduction was a major factor in the failure to further increase factory output of textiles in 1948 whereas large increases had been possible during 1946 and 1947.

Although much of the food produced in Korean is prepared directly by the consumer, food-processing plants such as flour mills, noodle manufacturing plants, and fish processing plants are important in factory production. With reduced power and reduced imports of wheat, the production of flour and of noodles in 1948 dropped slightly below 1947 production (20,813 tons of flour in 1948).

Paper production in 1948 was slightly greater than in 1947. Almost 50 percent of this production, however, occurred in the first 4 months of the year. The large modern plant at Puksun suspended operations early in May because of depleted pulp stocks and 13 other paper mills shut down in May because of power shortages. (3,246 tons of paper in 1948).

Rubber products in 1948 were greater than in 1947. In the case of rubber shoes the increase is more apparent than real since the total of nearly 23,000,000 pairs of shoes includes production of 81 to 157 plants whereas in 1947 production reported was from only 20 plants.

LABOUR

Only a very small percentage of the south Korean population are engaged in large industrial enterprises, and consequently labour unions in the economic sense of the term scarcely exist in the Republic of Korea. Labour statutes and regulations instituted by the Military Government in the early years of the occupation remained basically unchanged during 1948. Provision of existing labour laws include: (1) The right of individuals or groups of individuals to work unmolested; (2) the

establishment of a 48-hour week in industry; (3) the prohibition of work over 60 hours per week; (4) the payment of time and one-half pay for hours worked between 48 and 60 hours; and (5) the prohibition of employment of children under 14 years of age.

TRANSPORTATION

Railroads.—At the end of the war the operation of the Japanese-constructed railroad lines south of the 38th parallel was hampered by poor condition of the equipment and scarcity of fuel. Although conditions have improved in some sections of the railway system since that time, in other sections deterioration has continued and the shortage of coal continues to be a problem. During 1948 an important new bridge was completed on the heavily traveled main line between Seoul and Pusan and a plan was inaugurated to reclaim further and to salvage old and damaged railway equipment. At the end of 1948 operating locomotives in south Korea numbered 255 compared with 180 in September 1945 and 140 at the end of 1947.

Railroad freight traffic during 1948 amounted to 4,800,000 metric tons, an increase of 2 percent over 1947, despite curtailed schedules due to continued shortages of coal, sabotage activities during the early part of the year, and flood washouts during the summer months. Passengers carried, totaling 47,800,000 during 1948, were about 24 percent less than the number carried in 1947.

Road transportation.—During 1948 motor- and animal-drawn vehicles continued to carry a large percentage of the total land traffic of south Korea, especially that carried on short hauls. Statistical data concerning this traffic, however, are not available.

Shipping.—Ships obtained from the Foreign Liquidation Commission in 1947—11 Freight Supply (FS) vessels and 12 Landing Ship Tanks (LST)—formed the nucleus of the Rainbow Passenger and Freight Service started by the Bureau of Marine Transportation in March 1948. The fleet provides weekly passenger service and biweekly freight service to all major ports of the coastline of south Korea. During 1948, this fleet handled a monthly average of approximately 42,000 tons of freight and as many as 20,000 passengers in the peak months. Six foreign commercial companies (three American, two British, and one Dutch) had established regular service to Korean ports as of August 1948.

TELECOMMUNICATIONS

Although the Department of Communications continued its program of rehabilitating telephone and telegraph facilities in south Korea during 1948, an expansion of service was precluded by a shortage of instruments and exchange facilities and the deterioration of about 80 percent of underground and aerial cable lines. The telegraph facilities serving all provincial capitals and leading cities of south Korea during the Japanese occupation were, however, operative and better maintained in 1948 than at the end of the war. In 1948 about 42,500 telephone subscribers

in south Korea were served by 164 exchanges. This compares with service to 42,114 users through the same number of exchanges in south Korea before the end of the war.

The communications services of the Korean Government have operated at a considerable loss in the postwar period, with expenditures generally varying from 60 to 90 percent above revenues. To keep pace with increasing operating costs, rates for communications service were increased during 1948; telephone and telegraph rates were raised on June 1, 1948 (to a level 85 times as great as that in 1937), cable rates were raised in December, and new postal rates (to levels 90 times those of 1937) were established on August 1, 1948.

FINANCIAL CONDITIONS

Inflation and Prices

Inflation continued in southern Korea in 1948. During the year the currency circulation increased from 33.4 billion won at the beginning of January to 43.4 billion won at the end of December, a net increment of 10 billion won. This compares with a greater expansion in 1947, when the circulation rose from 18.3 billion won to 33.4 billion won, an increase of 15.1 billion won. Although the decline in the rate of currency expansion during 1948 would seem to indicate progress towards stabilization, actually it reflected, to a large extent, the failure of the Government's rice purchase program. Whereas in 1947 currency circulation increased, in the months September-December in response to a successful rice collection program requiring a large outlay of Government funds, in 1948 the currency expansion during these months was less than in the preceding year. This was due to the smaller rice collection in 1948 and to the fact that considerable quantities of rice were delivered under the National Land Administration program as payment for farm land for which the Government made no cash outlay.

Price rises which have characterized all of the postwar period continued during 1948 although at a slightly slower rate than during 1946 and 1947. A rough index of the price level in 1948 as compared with 1947 is provided by the composite index of retail prices of 26 commodities in Seoul and the composite index of wholesale prices of major commodity groups. The first of these indexes stood at 183 in December 1948 (1947=100) and the latter at 198 (1947=100).

Government Finances

In the fiscal year April 1, 1947, through March 31, 1948, the South Korean Interim Government established a budget calling for expenditure of 17.7 billion won and revenues of 15.4 billion won. Actual expenditures, however, amounted to 2.7 billion against actual collections of 15.3 billion, leaving a deficit of 7.4 billion.

For the fiscal year April 1, 1948, through March 31, 1949, SKIG established a budget calling for expenditures of 28.4 billion won, exclusive of an account established in the amount of 6.3 billion won to cover civilian supply imports transferred to Government

agencies for their own use. Expected revenues for the same period were set at 25.6 billion. Supplemental appropriations, granted by SKIG and the Government of the Republic of Korea until mid-November, brought the total budget, including the civilian supply portion, to 43.7 billion won. Actual expenditures in the first 6 months of the fiscal year are reported by the Korean Budget Bureau to have been 15.3 billion against revenues during the same period of 11.5 billion won. The Office of Planning has prepared a budget, not yet finally approved by the Cabinet or the National Assembly, projecting expenditures in the second half of the present fiscal year of 28.3 billion won, against revenues of 18.4 billion won. If this budget is adopted and executed, the deficit for the year 1948-49 will reach nearly 14 billion won by March 31, 1949.

The Government of the Republic of Korea, like its predecessor the South Korean Interim Government (SKIG), has thus far financed its operations by tax receipts and Monopoly Bureau and other Government enterprise revenues. Deficits have been made good by drawing upon the Bank of Chosun; as of December 31, 1948, the adjusted overdraft stood at 39.8 billion won.

Foreign Exchange

No generally applicable commercial rate of exchange has as yet been established for the Korean won. For purposes of the occupation the military rate for south Korea, set at 50 won to one United States dollar in March 1947, was increased to 450 won to the dollar in October 1948. Remittances of dollars by approved individual traders were permitted, however, under Government control through the Korean Foreign Exchange Bank at an agreed rate between buyer and seller; this rate averaged about 800 won to one US\$ during the first 9 months of 1948. An attempt was made to use the new military rate for remittances of dollars, but was discontinued when it became apparent that remittances would not be made at the newly established military conversion rate.

FOREIGN TRADE

During 1948 Korean trade showed the same major characteristics as in preceding postwar years: (1) A reduced volume of trade compared with the prewar period; (2) a marked reorientation in the direction of trade compared with the prewar years; and (3) a large excess of imports.

The total volume of trade reported for south Korea during 1948 may be estimated at about \$213,000,000. In deriving this figure of total trade, private imports and exports which are reported only in won were converted to dollars on the basis of 1,000 won equal 1 U.S. dollar. Although there is no commercial exchange rate for the Korean won, this is considered a fairly realistic value for purposes of rough computation. All Government imports including military stock transfers and imports through the Foreign Liquidation Commission are included. Annual average total volume of trade for all Korea in 1938-39, when price levels

were much lower than in 1948, was \$586,000,000.

South Korea continued during 1948 to be largely dependent upon the United States for its imports, and its exports were shipped chiefly to Japan, the United States, and Hongkong. The greatest amount of trade (imports plus exports) was, thus, with the United States whereas in prewar years, when Korea was a part of the Japanese Empire, most of its trade was with Japanese-controlled areas, particularly with Japan itself.

The postwar trade of south Korea has been consistently imbalanced with large excesses of imports. In 1948 the excess of imports over exports amounted to more than \$180,000,000.

Most of the trade of south Korea during the postwar period has been on a Government-to-Government basis, with imports largely financed by United States appropriated funds. During 1948 Government-level imports amounted to \$189,000,000 (including military stock transfers and the import of military surplus items through the Foreign Liquidation Commission), about the same value as in 1947. Government-level exports were about \$9,000,000 in 1948, an increase from about \$5,000,000 in 1947.

During 1948 the private trade of south Korea continued to be much smaller than that of the Government level; total private trade amounted to only about 7 percent of all trade. This small proportion of private trade is primarily due to the fact that imports, which constitute the largest part of Korean trade, were chiefly at a Government level.

In addition to the private trade there was some authorized private trade with north Korea for which no value figures are available and also some illegal trading with north Korea, China, Japan, and Manchuria.

In the absence of a commercial exchange rate for the Korean won, private trade during the postwar period has been conducted on a so-called "barter basis." Foreign exchange certificates are sold on the open market but can be used only for the purchase of "approved imports" specified by the Korean Ministry of Commerce and Industry.

The largest share of postwar imports of south Korea has been from the United States. In 1948 imports from the United States amounted to about 72 percent of the Government imports, and the United States also supplied more of the private trade imports than any other country.

Exports during 1948 were chiefly to Japan and the United States in the Government-level trade and chiefly to Hongkong in the private trade.

Imports into south Korea, restricted to essential commodities, consisted in 1948 largely of foodstuffs, agricultural supplies, clothing, medical supplies, petroleum and coal, industrial raw materials (such as raw cotton, rubber, chemicals, and dyes), and some machinery, vehicles, and rolling stock.

South Korea's chief export commodities during 1948 were marine products (laver, other seaweed, dried

The Present Economic Position of Japan

(By a Japanese Economist)

1. Introduction

On 18 December 1948 the State and War Departments of the United States issued an interim directive to General MacArthur concerning the stabilization program of the Japanese economy, and the Public Relations Office of the General Headquarters, Supreme Commander for the Allied Powers released the following day a letter of General MacArthur addressed to Premier Yoshida based on the directive. The aim of the directive is to cause the Japanese Government to stabilize the Japanese economy in the fiscal, monetary, price, wage and other aspects and to maximize the production of exports. The letter of General MacArthur points out that "there can be no political freedom so

long as a people's livelihood is dependent upon the largesse of others" and calls for efforts on the part of the Japanese people.

Three years after the termination of hostilities, the world economy is making progress toward recovery in spite of the underlying basic conflicts. The production levels of most European countries, for instance, have come to surpass pre-war levels, and their economies are in a sound stage.

The Japanese economy has also come to show some signs of stabilization, e.g. steady increase in production, slowing down of inflation, gradual rise in real wages of workers. However, there are unsound elements underlying the current economic situation. The foremost of them is the trade deficit which runs into about US\$400,000,000 yearly. The depletion of national resources has also not yet ceased. Increase in production and exports, and arrest of inflation are essential.

2. Signs of economic stabilization

The Japanese economy in 1948 was showing economic stabilization in the increase in production, the slowing down of inflation, and the rise in real wages.

(a) Rise in production level and its causes.

The production of the mining and manufacturing industries in recent months shows a steady increase which has reached a level of some 35% higher than that a year ago. The comparison of the actual production in the April to December period with the preceding year shows that there was a great increase in production in most branches with only few exceptions as cotton yarn, rayon fabrics, lumber, railway passengercar. The processing of imported materials (iron and steel, aluminum, soda) and the production of related industry (railway freight car, ship, truck, rayon yarn) are among the branches which showed great increase. The textile industry showed slow recovery on account of the stalemate of the cotton spinning industry caused by insufficient import of raw cotton and lack of purchasing power in foreign markets. The metal, chemical, machinery and other industries showed marked increases.

The causes of production increase were as follows:—(a) Improved supply of fuel and power. (b) Increased import of raw materials. (c) Improve-

ment of transportation. (d) Other causes (decreased demand of the Occupation Forces); improvement of labour efficiency and stability induced by the improved food situation and the rise in real wages.

The bumper crop of major agricultural products was another cause for the economic recovery. Major agricultural production surpassed production in the preceding year by about 10% due to good weather and increased supply of fertilizer and implements. The production increase of wheat and sweet potatoes was remarkable. The bumper crops in the years of 1946, 1947 and 1948 contributed a great deal to the recovery of the Japanese economy.

(b) Slowing down of inflation.

The Bank of Japan notes issue which did not undergo much change in the first six months began to increase after July and reached Y355,300,000,000 by the end of December. The monthly rate increase is lower than that of the preceding year and the increase in 1943 was 62% as compared with 135% of 1947. As to the issuance during each month, the normal pattern is reappearing i.e. the issuance decreased in the early part of the month and increased in the latter part of the month.

The blackmarket price which had tended to be stagnant since about August 1947 has been in 1948 about 60% higher than the 1947 average as to productive materials and 80% higher as to consumer goods on account of the increase of production, elimination of delayed or dishonored rationing, reduction of blackmarket margin caused by price revision. The official price was almost doubled from June to November. The difference between the official and blackmarket prices was thereby greatly reduced, and in some instances the blackmarket prices became even lower than the official prices. The consumers' price index which had gradually come to be stagnant since August 1947, rose temporarily around July and August due to the revision of the official price, but the rising tempo became slow thereafter due to the increase of the staple food rationing and other favourable circumstances.

The reasons for the slowing down of inflation were:—(a) Improvement in the fiscal and monetary situation. (b) increased supply of materials, especially of rations, and (c) progress in psychological stability.

(c) Rise in real wages.

The movement of the national average per capita monthly wages of industrial employees is as follows:—

	1947 average	Jan. 1948	Mar. 1948	June	Oct.	Nov.	Dec.
Wages of industrial employees (A)	1,819	3,050	4,395	6,574	6,921	9,038	Yen 497
Index of above	100	168	242	361	381		
Consumer's effective price (B)	100	158	180	213	227	239	
Real wage (A/B)	100	104	137	176	171	205	

While the average nominal wages increased from Y1,819 in 1947 to Y6,921 or 3.81 times as high by November 1948, the price level went up during the same period only 2.27 times so that the real wages went up by 70%.

3. Actual Situation Underlying the Superficial Improvement

There are various draw-backs behind the favourable phenomena, e.g., (1) accumulation of import surplus, (2) whittling down of actual assets of enterprise caused by unsound management, (3) depletion of national wealth by devastation of natural resources, and (4) stalemate in standard of living.

(a) Accumulation of import surplus

In terms of US\$ since January import increased by 30 per cent in monthly average against 1947, while export in 1948 reached a level 49% higher than that in 1947.

Trade Balance since War End (in 1,000 U.S. Dollars)

	Export	Import	Import excess
War End—End of			
1946	103,292	305,393	202,101
1947	173,568	526,130	352,562
1948	258,621	682,612	423,991

The factors which caused the import surplus were among other the lack of free exchange of currencies. As the free exchange between U.S. dollar and sterling remains suspended, sterling area countries have restricted their imports from Japan which is included in the US\$ area. Textiles, in particular, which used to be major exports ceased to be so as foreign countries limited their imports to foodstuffs and basic materials with the result that stock for exports amounted to a volume equivalent to several months production. On the other hand, the export of basic materials for which there was demand from Asian countries has been limited because of unsatisfactory recovery of the production and heavy demand for domestic reconstruction. Furthermore, unsatisfactory supply of material and funds for export industries, lack of information regarding overseas market conditions, too complicated export procedures, lower quality of commodities resulting in less competitive performance in world markets contributed to the small export result.

Contributing factors causing the high import surplus:—The post-war trade terms worked against industrial countries like Japan. Particularly, this is the case with foodstuffs which take a major part in imports. Wholesale commodity price index in U.S.A. shows that agricultural commodity prices in June 1948 was about 3.8 times that in 1933, in contrast with 2.1 times rise in non-agricultural commodities. The increase of shipping charges is another of the factors causing the import surplus. The present percentage of shipping charges in the CIF price of imported goods is 82% in salt from the Mediterranean, 56% in crude oil and 37% in coal from U.S.A. and 30% in iron ore from Hainan Island. The total freight charge in 1948 is estimated at more than US\$100 million out of imports of US\$700 million.

(b) Unsound management of enterprises

It has become inevitable to enforce a production increase in disregard of profitability of enterprise and a low price policy at the expense of maintenance of real capital of enterprise. The fact that such a policy has been adopted after a destructive war together with the lack of will to organise efficient management has undermined soundness and self-support of enterprises. Management has neglected proper capital amortisation. Whittling down of real assets is due to the actual shortage of capital accumulation and to the treatment of amortization under the existing tax law. At present when the assets acquired in the past are much under-valued through the progress of inflation, under-amortization will result from the application of the existing tax law which stipulates a fixed rate of depreciation against the old book value of the assets. Furthermore, inadequate amortization is attributable to the low price policy which does not permit to incorporate into official price more than a fixed amount of amortisation based on the old book value of the assets.

Another indication of unsoundness of enterprise management is the accumulation of deficit loans. Moreover, the composition of capital shows that the borrowed money is too big compared with the paid-up capital. Inability of enterprises to enlarge their own capital and their dependence upon borrowed money are important causes for the loss of soundness and independence of enterprises.

A huge amount of price adjustment expenditure for key industries has also to be considered as a sign of unsound enterprise. In the 1948 budget (including supplementary budget), the price adjustment expenditure amount to 62,500 million yen or 13 percent of the General Account expenditure. Government subsidies have become necessary by factors for which enterprises should not be held responsible e.g. low price policy of the Government, low operational rate of industry, change in raw material supply conditions.

The fact that the proportion of labour cost has increased considerably in the total cost is also an important factor for unsound management from the viewpoint of profitability of enterprise. This is due to such factors as decline in operational rate, deterioration of mechanical equipments, low technical level and will to work. In other words, it shows that labour productivity has declined in greater rate than that of decrease in real wages.

(c) Deterioration of National Land and Depletion of National Wealth.

Almost no efforts to conserve or maintain national land have been made during the war and subsequent inflation period with the resultant cumulative increase of disasters. The damages done by floods to agricultural products, housing, household articles, are estimated to be far more than the direct damages done to river constructions. Huge proportions of national wealth are lost annually by floods. Total damages to rivers, farm lands, forestry and har-

hours in 1948 fiscal year amount to 86,300 million yen and rehabilitation requirement for the damages amounting to 20,200 million yen in the preceding year was carried over to 1948 fiscal year.

As for forestry, continuous over-cutting of trees has created an ever widening gap between deforested and forested areas since 1930. Especially forestry near villages is almost wiped out as timbers therefrom can more easily be transported.

In pre-war days, 70-80% of the urban population was living in rented houses, paying 30% of their total living expenses as house rent. While housing expenses occupy only 4% of the total living expenses at present because of the control on house and land rents since war time, the rise in construction cost of new houses is remarkable as compared with the rise in other prices. Thus, the rent for new houses is as high as 25 times of the present controlled rental.

(d) Stalemate in Standard of living.

The Japanese people are compelled to put up with a sustained austerity as a result of the low production level and increased population after the war. Household expenditure in Tokyo is 127 times more than in pre-war period, while prices went up 274 times, with the result that consumption level is less than half of the pre-war period. The consumption level by items as compared with pre-war is as follows: Staple food 90%; Non-staple food 70%; Fuel and light 90%; Clothing 10-20%; Housing 10-20%; Others 50-60%.

In recent months, as a result of the rise in real wages, the workers' consumption level rose further; it went up already by 30% over that of 1941 towards the end of 1948. But this means only that the consumption levels of working and other classes have been raised at the expense of the latter. There is as yet no sign of improvement in the consumption level of town-dwellers as a whole or farmers.

4. Conclusion

With the implementation of the Nine Economic Objectives new problems are expected to arise, i.e. unveiling of unbalance between domestic and international price structures; relative over production; increasing distress of farmers and small and medium enterprises; unemployment. Furthermore, pressure for spiraling of inflation is still at work.

The Japanese economy is in an abnormal and unsound state partly due to its structural deformation caused by the long war and the defeat and partly due to the progress of inflation that followed. It is difficult to restore a normal and sound economy with one stroke even after the establishment of a single exchange rate. Only by taking advantage of the newly established single exchange rate can the economy of the country be normalised.

Economic measures should primarily aim at the stabilization of currency and the restoration of the normal function of price. The national economy should be rationalized in this process, thereby

ECONOMIC REVIEW OF JAPAN IN 1948.

(Based upon Reports prepared by the Supreme Commander of the Allied Powers)

The year 1948 brought some improvements in the economic conditions of occupied Japan as compared with other postwar years. Food supply was better than in 1947; industrial production increased considerably above the level in preceding postwar years; exports increased; and the Japanese economy appeared, on the surface at least, to have attained a small measure of stability. Underlying these seemingly encouraging signs of improved economic conditions, however, Japan's basic economy in 1948 was abnormal and unhealthy. The industrial recovery still left Japan's production far below that of the period 1930-34; the volume of exports was but a fraction of that in the prewar period and the pattern of trade was abnormal; and both the industrial recovery accomplished and the increase in exports were possible largely because of heavy financial aid from the United States. Moreover, the increased production, which is based on comparison with 1930-34, was for a Japan with a population of about 66,000,000, whereas by the end of 1948 Japan had a population of about 81,000,000. It was evident at the end

of 1948 that, despite certain encouraging aspects, Japan was still far from the objective of economic self-support. that the road to achieving such self-support was to be one of austerity and hard work, and that final recovery was also related to political and economic changes in other parts of the Far East.

Industrial production, which at the beginning of the occupation in September 1945 was estimated to be about 15 percent of the average production during 1930-34, averaged about 54 percent of this level during 1948 according to SCAP. Although industry as a whole was relatively high on the basis of this index, recovery of certain manufactures remained low. The textile group, for example, in 1948 lagged at less than 25 percent of the 1930-34 output. Increased manufacturing, necessary for a self-supporting Japan, will require still larger imports of raw materials such as iron ore, raw cotton, rayon pulp, salts, and petroleum. Many of these were imported in prewar years from empire areas and other parts of the Far East which are now undergoing civil strife, and foreign exchange is not available for their purchase from other areas. Furthermore, without final reparation settlements and owing to lack of investment capital, the incentive to restore and reconstruct industries remained reduced throughout 1948 as compared with the prewar period when Japan was an important manufacturing and trading nation.

The agricultural production of Japan in 1948 was better than that of other postwar years, with the output of rice about equal to that of the 1931-40 average and the output of all staple crops above the level of this prewar period. Always a food-deficient country, however, in 1948 Japan depended upon imports for about 20 percent of its food requirements (even at relatively low rationing level).

The over-all level of mineral production in 1948 approximated that during the prewar period 1930-34. Coal production, although above the 1930-34 level, was still far below the peak production of 1941 and was in sufficiently short supply as to necessitate careful rationing throughout the year.

Transportation facilities carried heavy traffic during 1948 but were overtaxed because of deterioration. The merchant marine, which at the end of the war was reduced to less than 20 percent of its prewar size, remains relatively small and consists chiefly of coastal vessels many of which are old.

The postwar inflation continued during 1948. Price rises and wage increases characterized the year and the Japanese Government continued to contribute to the inflationary spiral in meeting its budgetary deficits by adding to the volume of currency. The inflationary rise, however, was less marked than in 1947 and in December a strong directive to the Japanese Government (the nine-point program) aimed at stabilizing the Japanese economy especially in

fiscal, monetary, price, and wage aspects as quickly as possible, was issued.

The depressed but improving condition of Japan's economy is reflected in its 1948 trade. Imports into Japan during the year were valued at \$682,-600,000. Almost half of the imports were foodstuffs, a proportion considerably higher than in the prewar period. Imports of industrial raw materials were increased materially in 1948, but still averaged far below prewar imports. Imports of food and relief supplies and of some raw materials were paid for by United States appropriated funds.

Exports for the year 1948 reached \$258,600,000, an increase over 1947. Most of these exports were possible, however, because of special assistance provided by the United States; in order for Japan to be able to pay for essential imports of foodstuffs and raw materials, the total volume of exports will have to increase several times the 1948 level to provide even a minimum living standard.

The geographical distribution of Japan's foreign trade widened as compared with 1947, but still reflects dislocations as compared with the prewar pattern. About 65 percent of Japan's imports in 1948 were from the United States, whereas in the 1930-34 period only 25 percent originated in this country. Asia, on the other hand, supplied only 14 percent of Japan's imports. The United States took about one-fourth of Japan's exports in 1948. Japan's normal trade is with other areas of the Far East, but scarcity of foreign exchange and the unsettled political conditions in much of the Far East have held imports from that area low and, at the same time, Japan's relatively low production as compared with prewar years has prevented Japan from supplying former customers in Asia. Real economic recovery in Japan depends, to a considerable degree, upon the revival of other Far Eastern economies.

The recognition of the underlying unsoundness of Japan's postwar economy was highlighted near the end of the year by the aforementioned directive issued by the United States Departments of State and Army to General MacArthur, Supreme Commander for the Allied Powers, concerning the stabilization of the Japanese economy. This directive transmitted by letter to Premier Yoshida on December 19 outlined steps for the Japanese Government to stabilize the economy in fiscal, monetary, price, wage, and other aspects as quickly as possible and to maximize production for export. The nine-point program specifically called for:

1. Achieving a true balance in the consolidated Government budget at the earliest possible date by stringent curtailing of expenditures.

2. Accelerating and strengthening the program of tax collection and insuring prompt, widespread and vigorous criminal prosecution of tax evaders.

3. Assuring that credit extension is vigorously limited to those projects contributing to the economic recovery of Japan.

4. Establishing an effective program to achieve wage stability.

building the basis for economic self-support on which sound enhancement of production and export can be realized.

One of the important factors in the normalization of economy is the restoration of the independence of enterprises. As distinct from the past days of economic isolation, enterprises in future will first of all be required to stand up to international competition. They are required to manage themselves independently and rationally freeing themselves of inept management which previously depended on the state, and to accumulate capital necessary for repairing and modernizing deteriorated equipment.

The national economic aim after the restoration of a stabilized and normal economy will be the attainment of a self-supporting economy of Japan which no longer requires foreign assistance. Japan's post-war economy is beset with many fundamental difficulties such as enormous loss of national wealth, rapid increase of population, exhaustion of resources, and drastic change in the conditions of foreign trade caused by the war. Saving of consumption is essential and indispensable. The standard of living may rise after the economy has become self-supporting. But until then the Japanese people will have to sustain privation since the major part of production increase will have to be utilized for capital accumulation and export expansion. The objective of economic self-support, however, is not only a requirement of the Allied Nations but essentially a target which the Japanese people, desiring national independence and future prosperity, should choose to work for at any price.

5. Strengthening and, if necessary, expanding the coverage of existing price control program.

6. Improving the operation of foreign trade controls and tightening existing foreign exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

7. Improving the effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

8. Increasing production of all essential indigenous raw material and manufactured products.

9. Improving the efficiency of the food collection program.

Although these points had all been substantially covered in earlier instructions from SCAP to the Japanese Government, the program outlined in December was significant in that it was a directive, whereas the points were previously covered by suggestions to the Japanese. The effect of the stabilization program is expected to be strongly felt during 1949.

Economic Deconcentration

Early in the occupation the Japanese Government, under SCAP's direction, enacted a series of laws to effectuate the deconcentration of excessive economic power in accordance with the terms of United States post-surrender policy for Japan. During 1948 steps were continued to implement the legislative program of preceding years. By the middle of the year voting rights in the 80 major Zaibatsu holding companies and more than 3,500 subsidiaries had been assumed by the Holding Company Liquidation Commission; securities of 56 members of Zaibatsu families had been taken over by the Commission; 2,210 Zaibatsu executives were purged or removed from 1,645 companies, others having withdrawn voluntarily before they could be removed; and Zaibatsu securities worth many billions of yen were sold to thousands of buyers.

In accordance with the Economic Deconcentration Law, companies were to be investigated to determine whether economic control exercised by them was excessive. By June 30, 1948, 50 of the 325 companies had been removed from the list and by the end of the year many of the 144 ordered to undergo reorganization had complied and were also removed from the list. Although by the end of 1948 final disposition had not been decided for all of the remaining 131 companies, many of these had been investigated and removed from the restricted category.

In order to achieve, with the shortest possible time, the objective of diverting "actual excessive concentrations of their ability to prevent the development of free competitive enterprise in Japan," and to provide for "a minimum of reorganization consistent with attainment of Occupation objectives," a Deconcentration Review Board was established by SCAP during the first half of 1948. This board was given broad responsibility to make recommendations to SCAP on all phases of the deconcentration program, including review of basic standards and evaluation of the plans of

those companies scheduled for reorganization.

Reparations

The terms of reference for exacting reparations from Japan were formulated before the end of the war and were incorporated in the terms of surrender embodied in the Potsdam Declaration of July 26, 1945. It was not until May 1947, however, that the Far Eastern Commission (the international agency established as the policy-making body for the fulfillment of the surrender) adopted an interim reparations program pending formulation of a final reparations policy. During 1948 reparations deliveries, consisting chiefly of machine tools and metalworking equipment, were made to China, the Netherlands Indies, the Republic of the Philippines, and British areas in the Far East.

Labour

The occupation period prior to 1948 brought several important changes in labour conditions in Japan as compared with those of prewar years. These included the repeal of repressive labour laws, new legislation which provided for the status of labour organizations and measures to improve working conditions, and the formation and rapid growth of labour unions in Japanese industry. By 1948 the voice of labour in Japan was far stronger than ever before.

During 1948 major trends in the field of labour were: (1) The continued strength of labour unions but with the increasing recognition of their responsibilities as well as their power; (2) rising wages and increased concern in Government circles over the problem of wage stabilization; (3) the recognition of the need to reduce overemployment in the rationalization of industries; and (4) further legislation concerning Government employees.

The total labour force in Japan was estimated at more than 36,000,000 persons in the latter part of 1948. More than half of this total labour force were engaged in agriculture and forestry.

Although it had been expected that unemployment might assume serious proportions in Japan after the surrender in 1945, all employment figures for Japan show relatively little unemployment during the occupation years, and positions offered at public employment agencies have outnumbered job-seekers. Among the various reasons for this apparent high employment, however, were: (1) The fact that Japan has many hidden "unemployed" persons who remain on pay rolls as surplus employees; and (2) the profitable black market which kept persons, who would otherwise have been job-seekers, off the recognized labour market.

During the latter half of 1948 a change in the Japanese employment situation became discernible as job-seekers began to out-number positions offered. This tendency is expected to become somewhat accentuated in 1949 with the rationalization of industry, which is now one of the fundamental principles for the Japanese economy under the nine-point economic stabilization program.

In postwar Japan labour unions have grown rapidly and by October 1948 union membership totaled about 6,786,000 in more than 35,000 local unions. This membership amounted to about 40 percent of the total nonagricultural labour force of the country, with the percentages of workers belonging to unions particularly high in the transportation and communication industries, mining, and the public utility industries.

There were indications in 1948 of some improvement in union structure and collective bargaining practices. During the years 1946 and 1947 the attention of unions was expended almost entirely in pressing for wage increases.

During 1948 labour disputes occurred in such key industries as coal, electric power, and transportation, but most of the labour disputes were settled before there was any great effect on production.

According to a report of the Japanese Stabilization Board, the average per capita wage in Japan in November 1948 was 3.8 times as high as the 1947 average. Real wages, however, remained about the same, as retail prices continued to rise. Official retail prices doubled in June 1948 and were raised to as much as four times over the 1947 average by November 1948.

The problem of wage stabilization received considerable attention by the Government during 1948 and in November the Government policy was stated in terms of three basic principles: (1) Prohibition of pay raises which are likely to affect general price levels; (2) no deficit covering loans to be extended to industries; and (3) the granting of Government price adjustment subsidies only on the basis of a balanced budget. Among the nine principles in the stabilization plan outlined for Japan in December was the establishment of an effective program to achieve wage stability.

One of the features of many types of manufacturing in postwar Japan is the increased proportion of labour costs in the total cost of production. According to a report of the Japanese Economic Stabilization Board, in prewar years the ratios of labour cost to the total cost of production of finished steel, vehicles, ships, and raw silk were 7 percent, 25 percent, 22 percent, and 13 percent, respectively, whereas in 1948 the labour costs for the manufacture of these products average 27 percent, 54 percent, 43 percent, and 32 percent, respectively.

Transportation and Communications

In 1948 Japanese transportation facilities continued, as in 1947, to carry heavy traffic and some progress was made toward further rehabilitation of facilities which had deteriorated seriously during the war years. The merchant marine, once one of the leading in the world, remains greatly reduced compared with prewar years and the Japanese operated no air service as civil aviation was banned at the time of surrender.

The Japanese railroads, with 17,022 miles of lines operated as of December 31, 1948, are of primary importance in Japan's inland transportation system. During the first 9 months of 1948 Government railroads carried on the aver-

age about 9,375 tons of freight per month and 266,775,000 passengers per month compared with a monthly average of 8,398,000 tons of freight and 268,031,000 passengers in 1947. Both tonnages and number of passengers carried were considerably higher than in the prewar period 1930-34.

Although by western standards Japan does not have a good, well-maintained highway system, its roads carry heavy tonnage and passengers especially on short hauls.

The mileage of national and prefectoral highways is reported at approximately 77,050, of which paved roads constitute only 5 percent, and unpaved, but improved highways, about 15 percent. Highway maintenance and repair were virtually suspended during the war and although there has been some improvement since September 1945 much of the highway system of Japan is still in need of repair. Recognizing the needs for further road rehabilitation, in November 1948 SCAP directed the Japanese Government to prepare a definite program for highway repair and maintenance.

Commercial motor vehicles registered in Japan as of June 30, 1948, included trucks, and 59,649 small-sized trucks. About 70 percent of these were reported to be in operation. In addition, about 33,700 passenger cars (20,333 standard-sized and 13,370 small-sized) were registered. Considerable road traffic in Japan (freight and passenger) is also handled by bicycles, pedicabs, carts, and human power.

Japan's merchant fleet in prewar years aggregated some 6,000,000 gross tons and was of considerable importance as an international carrier whose earnings contributed to the nation's balance of payments. In September 1948, however, the operable merchant fleet, consisting of steel ships of 100 gross tons or more numbered only about 700 ships with a gross tonnage of about 1,391,000. It is reported that 631 ships totalling slightly more than a million gross tons were in actual operation at this time. Most of those ships consist of wartime vessels which are low in efficiency and frequently develop engine difficulties; of the remaining vessels, a considerable number are about 40 years old. Less than 10 vessels are capable of undertaking long ocean voyages. In addition to these steel ships a large number of small-sized wooden ships and barges are important in Japan's coastal transport.

Japanese vessels continued to be largely confined to operations in home waters but a few vessels were used in 1948 in "nearseas" foreign trade and several tankers carried petroleum from the Middle East to Japan.

The total freight carried by the merchant fleet in 1948 was 49,540,000 metric tons as compared with 33,124,000 tons in 1947. Although accurate data are not available for the prewar period, the volume of coastwise freight carried during 1948 is estimated at about 70 percent of that carried during the period 1930-34.

Of the cargo tonnage carried by the Japanese merchant fleet during 1948, 12,379,000 tons were carried in steel ships engaged in coastal trade, 31,517,-

000 tons in wooden ships engaged in coastal trade, 2,783,000 tons in tankers, and 1,104,000 tons in United States ships on loan for use in Japanese shipping. Export trade accounted for 1,271,000 tons and import trade, 486,000 tons.

Most of the Japanese shipping is under the operational control of a semigovernmental body, the Civil Merchant Marine Committee (CMMC), which is directed by the occupation Shipping Control Authority for Japan (SCAJAP).

In September 1948 some of the responsibilities assumed by the Japanese Government during the war and remaining under Government control in the occupation period were transferred back to private shipowners. Under a directive released by SCAP the managing, supplying, maintenance, and repair of privately owned vessels once more became the responsibility of individual shipowners. The vessels, however, remain on a time-charter basis to the Japanese CMMC and the control of vessel utilization, including specifying vessel assignment and issuance of sailing orders, remain with the occupation forces through SCAJAP.

Although the Japanese are prevented from providing air service, several foreign firms have been licensed to operate to and through Japan. As of November 1948, two United States air-line companies, one British company, one Chinese company, one Dutch company, and one Philippine company were so licensed.

In the large urban centers, in which a considerable proportion of the Japanese population is concentrated, the municipal transport systems are of prime importance. Streetcars and busses are carrying exceedingly heavy traffic in postwar Japan.

Although communication facilities in Japan were in poor condition at the end of the war, both the number of telephones in service and the number of telegrams filed in 1948 exceeded those of the prewar year 1936. On July 1, 1948, the Broadcasting Corporation of Japan was operating two radio networks with 106 standard broadcasting stations.

Financial Conditions

Inflation, which has characterized Japan since the end of the war, continued during 1948 although its pace slackened slightly as compared with that of 1947. The note issue of the Bank of Japan increased from about 220 billion yen at the beginning of 1948 to 355 billion on December 31, whereas during 1947 the note issue more than doubled.

In attempting to cope with inflation, some adjustment of the national revenue and expenditures was undertaken and tax collection measures were strengthened. These steps, designed to reinforce the earlier measure of partial freezing of savings (1946) and restrictions on loans (1947), were only effective, however, slightly slowing the rate of inflation rather than definitely checking it.

Price rises continued during 1948 although at a lower rate than in the preceding year. Costs of family expenditures (food, clothing, fuel and light, housing, and miscellaneous), nevertheless, increased by about 60

percent during the year, and by the end of 1948 the index of effective consumer prices was about 459 (average of the period August 1946-March 1947 equals 100).

During the postwar period most commodities have been purchased through black-market channels as well as at official prices. In 1948 there was a narrowing of the spread between official and black-market prices as official prices were raised from June to October in most productive materials and consumer goods.

The budget of the Japanese Government for fiscal 1949 (April 1, 1948-March 31, 1949), as it was approved in July, mounted to 414 billion yen for the general account, but supplementary budgets later brought the total general accounts to 473 billion yen. Special accounts provided for other expenditures; the total expenditures of these were estimated in January 1949 at 1,096 billion yen, bringing total expenditures of both general and special accounts to an estimated 1,572 billion yen. Budgeted revenues for the general account were chiefly taxes (about half of which were from income taxes) and profits from monopolies. On the expenditure side, the largest items in the general account budget were "expenses for termination of war," economic rehabilitation, subsidies paid to prevent price increases, and public works.

Whereas Japan's national debt amounted to about 375 billion yen at the beginning of 1948, by the end of the year it had reached 458 billion yen (in 1936 the debt was about 10 billion yen.)

There was no commercial rate of exchange for the Japanese yen in 1948 or preceding postwar years. A single commercial exchange rate was established for the Japanese yen effecting April 25, 1949, of 360 yen to one United States dollar. For purposes of the occupation a military rate, which was set in early 1947 at 50 yen to one United States dollar, was increased to 270 yen to the dollar in July 1948. This military rate is an arbitrary rate used only for certain types of military expenditures.

Since there was no commercial exchange rate, payment to importers was made in approved foreign exchange from special foreign exchange funds maintained by SCAP.

Foreign Trade

Japan in prewar years was exceedingly dependent upon foreign trade and its economy was closely geared to trade. Its limited land area and other natural resources combined with a large population made it necessary for the nation to import part of its food and large quantities of raw materials required for industries. Exports of Japanese manufactured products, in turn, paid for most of Japan's imports.

The loss of its empire and the increased population make foreign trade even more imperative for postwar Japan. To date, however, Japan's foreign trade lags far behind that of prewar years. In the period 1930-34 Japan's total trade (imports plus exports), including its trade with empire

areas, amounted to about \$1,492,000,000 and in 1937, the peak prewar year, totalled \$2,578,000,000. Trade in 1948, although notably increased over that of 1947, was still well below prewar levels. The 1948 trade totaled only \$941,000,000, or less than the value of 1930-34 trade and only a little more than a third the value of 1937 trade. If adjustments were made for price changes which have occurred since the prewar period, it would be found that the volume of goods entering into Japan's trade in 1948 was much less than that indicated by comparing value figures. Moreover, in 1930-34 Japan's population was about 15,000,000 less than in 1948; thus the present per capita trade for Japan is at an even lower level.

In 1948, as in other postwar years, Japan had a relatively large adverse trade balance. During 1948 imports amounted to \$882,600,000, exports to \$258,600,000, the deficit to \$424,000,000.

The geographical pattern of Japan's postwar trade has changed considerably from that of the prewar period. In the prewar years Japan's trade was primarily with other areas of Asia; in 1937 about 48 percent of all exports by value were to Asiatic areas and about 63 percent of the total imports were supplied from that part of the world. A large part of this Asiatic trade was with empire areas.

In 1948, although there was a shift toward more trade with other areas than during 1947, Japan's trade was most closely tied to the United States, as it has been throughout the postwar period. During 1948, 65 percent of all imports into Japan were from the United States and 25 percent of Japanese exports were shipped to the United States. Asiatic countries, on the other hand, supplied only 14 percent of Japan's relatively large imports, although they were the customers for 65 percent of Japan's exports in 1948.

In terms of value, Japan's trade with countries other than the United States and outside the Asiatic area was chiefly with Cuba, Egypt, Argentina, Australia, and the United Kingdom. Excepting the United Kingdom, the trade with the other countries named above was largely that of supplying imports to Japan, with sugar, raw cotton, wool, hides and skins, and other animal products being the major commodities involved.

Japan's postwar deficit of foreign trade, which by the end of 1948 amounted to \$978,600,000, has largely been financed by United States appropriated funds. As the principal occupying nation responsible for the prevention of disease and unrest, the United States appropriated GARIOA (Government and Relief in Occupied Areas) funds amounting to about \$1,489,000,000 since the end of the war (\$361,800,000 in United States fiscal year 1945-46, \$310,900,000 in 1946-47, \$365,300,000 in 1947-48, and \$450,900,000 in 1948-49) for Japan and the Ryukyu Islands. For the year 1948-49, the appropriation included \$75,000,000 earmarked for economic rehabilitation (sometimes referred to as EROA funds). Commodities imported through the use of GARIOA funds consisted largely of

foodstuffs, medicines, and agricultural supplies, and commodities imported with the aid of EROA funds, which started in the last few months of 1948, consisted largely of industrial raw materials.

In addition to these large expenditures of appropriated funds, three other postwar programmes have enabled Japan to finance imports of raw materials; some of the 1948 imports were financed by these other programmes. The first of these was a programme initiated in 1946 for the shipment of raw cotton to Japan from Commodity Credit Corporation stocks in the United States. Japan was supplied with raw cotton; the U.S. Commercial Company assumed responsibility for shipment and insurance; the Occupation authorities undertook over-all supervision of the cotton during production in Japan; and proceeds from the sale were used to pay for the raw cotton imports. This programme, which reactivated Japan's cotton textile industry, was completed in 1948 with the liquidation of the CCC loan.

The Occupied Japan Export-Import Revolving Fund (OJEIRF) was established in August 1947. This fund, having assets of about \$137,000,000 of Japanese-owned gold and silver in SCAP custody, was designed to finance imports of raw materials for processing into exports. The only credit negotiated to date under OJEIRF is a \$60,000,000 loan, for the purchase of raw cotton, obtained from a group of private United States banks with participation by the Export-Import Bank.

Public Law 820 (the Eastland Act) approved in June 1948 provided for a revolving fund of \$150,000,000 for the purchase of raw fibers for occupied areas for processing into manufactured goods. Procurement for Japan under this act had not begun by the end of 1948.

Several trade arrangements were concluded in 1948 by SCAP for occupied Japan. These included trade pacts with certain sterling-area countries (Australia, India, New Zealand, the Union of South Africa, and the United Kingdom and colonies except Hong Kong), with Siam, with Netherlands and Indonesia, and with Sweden. At the end of 1948 negotiations were being made for trade arrangements with several other nations and a considerable part of trade arranged for under the pacts named above was under way.

It is expected that these trade pacts will facilitate the expansion of Japan's industrial production and foreign trade and that they will also contribute to the normal geographic pattern. The agreements indicate commodities and quantities expected to be involved in the trade between Japan and the respective countries but the provisions as to the character and volume of the trade are not binding commitments.

In general, Japan will supply the countries with which pacts have been consummated or planned with varied manufactured goods in return for needed raw materials.

The sterling participants in the trade pacts conduct trade in sterling, subject to conversion of such sterling into

dollars, in accordance with the over-all sterling payments agreement concluded May 31, 1948. Cotton textiles were originally exempted from the sterling payment agreement but as of July 25, 1948, it was announced that the sale of cotton textiles would also come under the payments agreement.

During 1948 regulations concerning private trade with Japan were somewhat liberalized as compared with those initially set up when limited private trade was opened in August 1947.

Under present regulations approved foreign businessmen may visit Japan and may employ agents in Japan. In making sales to Japan and in purchasing from Japan, businessmen may contact Japanese firms and engage in preliminary negotiations. Contracts, however, are subject to the approval of the Japanese Board of Trade and some must be validated by SCAP. Imports and exports are licensed, with imports being limited to commodities considered by SCAP to be essential to the Japanese economy.

Private foreign trade showed a gradual increase throughout 1948. The increase was primarily in the export trade and in the fall it was reported that more than half of Japan's exports were being handled through private trade channels.

Outlook for Future Trade

Despite the upward trend of Japan's export trade since September 1945 and the conclusion of trade arrangements with several nations during 1948, there are difficulties which seem likely to prevent a very large expansion of Japan's trade in the near future. If Asiatic areas were peaceful and prosperous, they would be able to purchase increasing quantities of the commodities that Japan can already produce and would be able also to supply a large part of the foodstuffs and raw materials needed at present by Japan. But conditions in many of these countries (for example, China, Indochina, and Indonesia) are so disturbed that only a very limited exchange of goods between them and Japan is possible and the outlook for prosperous economic conditions in these areas in the near future is dim. There has not been large economic recovery and development in the Philippine Islands and the rice surpluses of Siam and Burma, which could normally be exported to Japan in exchange for manufactures, are still being allocated for use in other countries.

Within Japan itself conditions also militate against great expansion of trade. Present inflation, the high costs of production of many products, lack of sufficient encouragement for capital investment, and limited natural resources necessitating additional raw material imports are factors contributing to trade difficulties. Even with the success of a firm economic stabilization programme requiring continued limitations on domestic consumption and increasing emphasis on production for export, it seems unlikely that Japan can quickly accumulate supplies of foreign exchange sufficient to buy needed imports.

Hongkong Stock & Share Market

Prices continued weak and business was small. There was no change of sentiment and hopes of an improvement seem to be premature. Transactions valued \$1,015,326 of which Hongkong Bank shares accounted for about \$266,000 and the 4% Government Loan for \$317,000. Trading in other counters was but for China Lights—which had sales of 6230 old and 6583 new shares—insignificant.

That the 4% Loan sold at par indicates the trend of the market; a yield of 4% is considered of little attraction when industrials pay over 10% at current depressed rates. Even Hongkong Banks which are regarded as the most preferable investment by a large sector of the public in Far Eastern countries and which pay an annual dividend of £5 are currently quoted below \$1400, thus yielding to last week's buyers 5½%. Dairy Farms which have announced the issue of bonus shares at the rate of one new for one old but indicating that the current year's dividend, which holders anticipated to amount to \$4 per share, will be halved, i.e. only \$2 will eventually be paid, have not appreciated in price. One would have assumed that so favourable a showing as Dairy Farms' during the last few years and the present record-breaking business which is steadily expanding in various fields of the Company's activities should now have resulted in a real improvement of the market sentiment, however, buyers continue on the sidelines and prefer to keep their funds in the most liquid state disregarding the interest earning potential of their money.

Not only Dairy Farms, the Colony's principal caterer, have had splendid working results during the current year but most other public companies can report similar developments. The overcrowding of Hongkong which is so painfully obvious to local citizens could not but bring in its train record business in practically every line. The docks, wharves and godowns are over-employed, public utilities are taxed to capacity, stores and shops report increased sales volume (although at reduced profit margins), hotels are booked far in advance and charge unprecedentedly high rates, and there is no end of enumerating the kind and number of enterprises which are now prospering beyond any previous expectation. These facts are of course well known to the local public and even abroad there is much admiration and jealousy of the prosperity which Hongkong keeps on enjoying in an otherwise recession-conscious world. But the bogey of communism has become so big as to stifle much of the prover-

During 1949 Japan will continue to require large financial aid for its imports and can be expected to raise its exports only at a moderate rate. If Japan is to live ultimately as a self-supporting nation, however, it must expand its exports far above 1948 levels; concerted effort in this direction must be continued for years.

Exchange & Financial Markets

FACTS ABOUT BRITISH PRODUCTION INCREASES & THE US\$ SCARCITY

When Sir Stafford Cripps recently said of Britain's economic recovery effort 'we have surpassed our 1938 production by something like one quarter and our productivity is up by about 10%' there were sceptics who declared

bial keen spirit of enterprise of Hongkong and investors simply shut their ears when the question of local securities is being discussed.

Now, when the situation of Canton becomes more critical and the defection of the Kuomintang army proceeds there is more anxiety expressed here about the possible repercussions once Canton has turned 'red'. The reassuring statements made last week by the local commander-in-chief and the display of large numbers of aircraft, naval vessels, tanks and mechanical equipment of very recent production have as yet not fully impressed the whole community. Cassandra cries are heard and fears of an unknown future seem to be unpressable. Rational arguments, tabulations with figures abounding, bonus share issues will not avail at the present time.

Business of last week at the Hongkong Stock Exchange:

Volume of Business:—Total sales reported amounted to 30,993 shares an approximate value of \$1 million, an increase of \$½ million compared with the previous week.

Price Index:—The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 124.12 for a net gain of .59 compared with the close of the previous week. Day-by-day, his averages were: August 29, 123.32; August 31, 123.39; September 1, 124.11; September 2, 124.12.

	High	Low
1947	155.82	123.88
1948	128.68	134.05
1949	138.37	127.32

Business Done:

Hongkong Govt. Loans:—Hongkong Government 4% @ 100; Hongkong Government 3½% (1948) @ 101.

Banks:—H.K. Bank @ 1390, 1400, 1395.

Insurance:—Canton Insurance @ 310;

Unions: @ 635.

Docks, Wharves, Godowns, Etc.—H.K. & K. Wharves @ 100; North Point

Wharves @ 5; H.K. Docks @ 15½%; China Providents @ 10½, 11.

Hotels & Lands:—H. & S. Hotels & 10; H.K. Lands @ 44, 47; S'hai Lands @ 2, 1.95.

Utilities:—H.K. Tramways @ 15, 16½%; China Lights (O) @ 10.50, 10.40,

10.30, 11½, 11.40; China Lights (N) @ 7.60, 7.30, 7½, 8.10, 8½, 8.10;

Hongkong Electrics @ 28¾, 28½, 29, 29, 29¼, 29½, 29¾, 29½, 30;

Telephones: @ 19.

Industries:—H.K. Ropes @ 11½, 12½.

Stores:—Dairy Farm @ 35½, 37; Watsons @ 39, 39½, 42½, 42, 43,

42, 42½, 42; China Emporium @ 8.

Miscellaneous:—H.K. Constructions @ 2.30.

Cottons:—Ewos @ 4.60.

that these figures did not square with facts. And even when an independent body like U.N.O. in its economic bulletin for Europe rates Britain's industrial production at 31% above 1938 and output per man 8% higher than prewar which come pretty close to the Chancellor's figures some sceptics remain unconvinced. Scepticism of this nature can be carried to a dangerous stage where it can give the impression that British industrial production is languishing. Real facts and there are plenty of them readily available reveal the state of affairs which is entirely reverse and consistent progress.

The general picture is summed up admirably by the official index of industrial production which takes 1946 as one hundred and with which there is an approximate link with prewar. In May last this index reached an all time record of 134 which meant an increase of something like 30% above 1938. Examination of latest available figures for a number of British industries not only supports the claim of general increase in production but shows that progress has been rapid in many directions. Pre-war record year for steel production was 1937; today output is approaching one quarter more than that record and averaged in first half of this year a yearly rate of almost 16 million ingot tons. Production rate for coke in first half of this year was almost one third higher than 1938 while output of electricity was virtually double. Against this has been set the fact that coal output is still despite a slow increase about 4% below 1938. This is due to the manpower shortage which has resulted in 7½% smaller labour force—British miners were the first in Western Europe to get back to prewar rates of output per shift. Production of aluminium is now running at a rate of one and half times prewar while chemical industry records an increase of 87% and output of fertilisers is three times greater. Despite restriction of steel supplies British motor industry has pushed ahead rapidly and in first six months of this year production compared with 1938 was double in case of commercial vehicles and 15% up for passenger cars. Even more spectacular progress has been made in production of agricultural tractors which are now coming out of factories at 12 times 1938.

Heavy wartime withdrawals of labour which has not been fully replaced has restricted the recovery of some sections of the textile industry. Output of cotton yarn for instance is till one third less than prewar. On the other hand production of rayon yarn in first half of 1949 was double the 1938 rate. Progress in some industries has been nothing less than spectacular. For instance compared with 1938 production of electric insulated cable and wire is now four to five times greater, accumulators five to six times and of typewriters almost three times.

All this could not have been done without greater effort and in this direction the fallacy that Britain is working a forty four hours week should be ex-

ploded. Average hours worked in the majority of industries is between 44 and 49 for men and between 40 and 44 for women and girls. This is full working times and excludes meal and other breaks. Additional evidence of the high rate of British industrial activities is found in the volume of exports which in first half of this year averaged 50% more by quantity than in 1938. In monetary terms exports in the second quarter of 1948 were nearly 150 million pounds a month of which nearly 19 million pounds went to western hemisphere, 36 million pounds to Marshall Aid Territories, 19 million pounds to British Colonies, 60 million pounds to other sterling area countries and the balance to rest of world. Fact is that with the help of the Marshall Aid, Western European industrial production—of which Britain's share represents almost one half the total value—made tremendous strides. But it is also the fact that production in U.S.A. and Canada at any rate until the end of the last year, has gone ahead even faster. As a result demand of non-dollar countries for dollar goods far exceeds demand of dollar countries for non-dollar goods so that the dollar is universally scarce.

Gold Markets

As a result of further accumulation of stocks in the Colony, continued arrivals of bullion in Macao, difficulties of sales to Far Eastern customers, absence of buying interest in China and large sales of gold by the Central Bank of China in Canton, the local price declined to the lowest level since Easter. Overbought speculators added to the decline when they, out of nervousness and because of pressure by banks and other creditors who advanced large funds to the bulls, commenced liquidations. Towards the latter part of the week there was a rally and selling pressure receded; the tension in Europe caused by the intimidation of the USSR and that country's threats of interference in Yugoslavian affairs was one of the main reason for the price rally. Renewed talks about sterling devaluation had also a steady influence.

The basic facts however in the local gold market situation remain unaltered, i.e. the practical termination of China's and gold purchases. The volume of business is bound to decrease from now on and it is possible that within another six months the importance of the local gold market will be reduced to one of local proportions only, and the highly prosperous Macao gold transit trade may also dwindle.

HONGKONG OPEN MARKET RATES per US\$100

	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
August						
29	5.96	5.74½	5.91	5.71½	5.92	5.73
30 Holiday: Hongkong Liberation Day						
31	5.85	5.79	5.80½	5.76	5.82	5.78
September						
1	5.91	5.83	5.84	5.79	5.86	5.81
2	6.04	5.87½	5.97	5.84	5.98½	5.85
3	6.02	5.92	5.94½	5.91	5.95	5.93

Last week's highest & lowest rates per Hongping tael (of 37.42684 grammes or 577.584 grains or 1.2033 troy ozs.) were HK\$338-\$314 or .945 fineness (corresponding to equivalents for .99 fine gold of \$354-334 or per .99 fine oz. of \$294-277½). Some fine gold transactions were recorded at the highest & lowest prices of \$358½-335½ respectively. Crossrates per oz. were US\$49, high, 48½, low.

Trading reports of last week:

Monday, August 29:—Opening and closing rates \$333-319. On the fictitious forward market the change over favoured sellers at the interest rate of 30 cents per tael of .945 fine per day. Throughout the week, the change over rates continued in favour of sellers. The selling of the Central Bank of China in Canton indirectly affected the local market. Tendency was weak.

Tuesday, August 30.—Holiday.

Wednesday, August 31:—Opening and closing rates \$315-315½. Change over 48 cents. Lowest of the week \$314 recorded. Market was easy. Some buyers appeared again.

Thursday, September 1:—Opening and closing \$317½-326½. Change over 10 cents. Threatening news about the U.S.S.R. army caused alarm and speculators bought heavily.

Friday, September 2:—Opening and closing \$328-336½. Change over 28 cents. Heavy drop of unofficial Sterling in Rome stimulated the market, and highest of the week \$338 recorded.

Saturday, September 3:—Opening and closing \$337-328. Change over 20 cents. Profit-taking sales eased off the market. In the unofficial afternoon market some small business transacted at \$329.

Trading, Positions and Cash Bars:—

During the week under review, official tradings on only five business days amounted to over 138,000 taels, and unofficial tradings to a few hundred taels; daily average worked out at 27,600 taels. Positions left open estimated at 124,000 taels per day, in which interest hedging forward operators, gold importers, Canton and local operators oversold; Shanghai and Swatow operators overbought.

Cash bars turned over officially 31,260, and unofficially about 25,000 taels, making a total of 56,260 taels. The sharp and sudden increase of turnover in cash bars was due to the banks. These creditors forced speculators to sell when gold prices dropped.

Imports, Exports, Stocks and Consumption:—

More than 34,000 taels were imported during the week, of which 18,000 taels were from Macao and 18,000 taels from Canton. About 11,500 taels were exported, of which 6,000 taels to Bangkok, 4,000 taels to Singapore, and 1,500 taels to Saigon and Haiphong; these were all in .99 fine bars. The profit of shipping to Bangkok yielded about HK\$18 per tael, and to Singapore HK\$12. Ready delivery stocks, included those mortgaged to the banks, amounted to about 315,000 taels. Over 40,000 taels changed hands by interest hedging forward operators, and about 2,500 taels were melted for ornamental consumption.

Rates in August

During the month of August the highest and lowest prices were \$373½-314 for .945 fine, a fluctuation of \$60 per tael or about 20 per cent. Total change over interest which bulls paid during August amounted to \$9.46 per tael. Calculating at the mean prices, bulls paid about 30% per annum for their purchases.

Silver Market

During the week under review, the highest and lowest rates of silver in bars were \$4.25-4.15 per tael, Hongkong, Mexican, and Australian Dollar coins \$3.00-2.90 per coin, Chinese Dollar coins \$3.10-2.90 per coin, and twenty-cents coins \$2.80-2.75 per five coins. Fluctuations were small, and business transacted in the local market was estimated at 125,000 taels in weight. Imports and exports, aside of those by the Central Bank of China, were confined to those carried by travellers and could not be estimated. The feature of the silver market during last week was that all dollars coins, no matter Chinese or other, were quoted about the same. Silver prices here and in China are still higher than the world prices. Canton and Hongkong prices should soon fall in line with London and New York.

US\$ Market

Highest & lowest rates of last week were for US notes HK\$604-574½, DD 597-571½, TT 598½-573. Crossrates, at the parity, were US\$2.67-2.79, and at the banks' selling price for TT London, US\$2.70-2.82. Transactions in the unofficial market (excluding intermerchant sales) amounted to US\$2,550,000 (DD and notes US\$1.3 million and TT 1¼ m.).

Inward remittances mostly from overseas Chinese increased, Manila and Bangkok merchants and overseas Chinese in these places sold smaller amounts (as still Hongkong offers better free market rates for TT New York), Shanghai immigrants had to liquidate overbought gold positions and therefore sold US\$ funds. Gold importers were small buyers; merchant demand was on the increase both for payment of goods having arrived from the US and for ordering new cargo from the US (opening of L/Cs with local banks). Towards the end of the week mostly Shanghai speculators bought as the international situation seemed to favour higher US\$ rates.

Unofficial Exchange Rates

Highest & lowest rates for notes: Piastres \$12.45-11.90 (forward sales \$12.57½-12.10). Nica guilders \$28.80-27.70, Baht 26½ (per 100 foreign currency units).

Bank of England note \$15½-15.40, Australian pound 12½-12.10, Canadian dollar \$5½-5.30, Indian rupee \$1.19½-1.19, Burmese rupee \$0.73, Ceylonese rupee \$1-0.97, Malayan dollar \$1.84½-1.83½, Philippine peso \$2.87-2.78.

Chinese Exchange Markets

After about one month unaltered foreign exchange rates in Shanghai the Bank of China increased official prices for foreign currencies with effect from August 31, as follows:—TT New York PB\$2350, buying 2400, selling (an increase of PB\$100 over previous rate); TT Hongkong PB\$410, TT London 6400, TT Canada 2200. Higher rates may stimulate exports by private firms and should also induce readier surrender of exporters' proceeds to the Bank of China (the People's Bank of China appointee for handling foreign exchange). In the black currency market rates for the US note increased from an average level of PB\$2300 in August to PB\$3000 to 3200.

It is remarkable how well financial conditions in Shanghai have been controlled by the new authorities considering the continued and very expansive war operations and internal disorders in large rural areas which also necessitate the keeping under arms of a big army. The People's Liberation army is, according to their own statements, in excess of 4 million men and such a great number of people must be supplied which impoverished China can hardly afford. By severe taxation, mostly in kind, the communist regime maintains the balance of its payments and has not resorted to the abuse of the money printing presses. As consumer goods, for the 'broad masses,' are in ample supply and the new scrip of the People's Bank is not inflated, prices remain on the whole stable and there is no need to advance rates for foreign exchange, at least not for the time being when trade is still curbed by the KMT blockade and the pent-up demand for foreign goods continues high. As soon as imports into Shanghai are no longer obstructed and exports of China produce do not balance, in value, the inflow of foreign manufactures (for which also shipping, insurance, banking and other services have to be paid for by the Chinese customers) there should result a slow process of PB\$ depreciation.

The black currency market in Shanghai is mainly patronised by investors, i.e. such people who prefer to put away part or all of their savings, or the proceeds of sales of commodities, real estate etc. Until a short while ago supply of US currency was adequate and therefore the rate did not differ from the official rate; there was also a very strong deterrent to engage in black market transactions as the police were on the alert and people brought to book for blackmarketeering foreign currencies were severely punished. Nevertheless, there is a large

number of people in Shanghai, and elsewhere in 'liberated' China, who do not trust much in the stability of the People's currency and who avoid having bank credit balances. Their argument—a logical one in times of war—is that as long as peaceful and orderly conditions in China have not been established no government can work miracles and prevent the depreciation of the Chinese currency in terms of currencies of countries whose economy is on the upgrade.

Hongkong is doing some PB\$ exchange with Shanghai and North China but such transfers are mostly for private and not merchant purposes. Several Shanghai refugees in Hongkong were obliged to remit larger amounts to their home town as the authorities there were imposing heavy taxes on properties failing the payment of which these properties are liable to be seized.

Gold remittances receded last week from the high of 955 in Hongkong to 915 for 1000 in Shanghai. Total business transacted: 1,700 taels of gold. US\$ remittances also dropped from the high of 910 in Hongkong to 880 for 1000 in Shanghai. Total business done was US\$35,000. These remittances were mostly for merchant business covering goods to and from that port carried by vessels breaking the KMT blockade. Rates are expected to go further against Shanghai.

Hongkong dollar remittances with Canton were transacted at 1002 to 998 in Hongkong for 1000 in Canton. These better offers in favour of Hongkong were mainly due to the recovery of gold prices there, and besides, flight of capital was also a factor. Total business transacted was well over two million HK dollars.

Exchange with Amoy quoted at par to one per cent premium in favour of Amoy, both in US\$ and Hongkong currency, due to small oversea Chinese remittances. Total business done was about US\$30,000 and HK\$120,000.

Exchange with Swatow quoted at 101 in Hongkong for 100 in Swatow. Market was very quiet and only small business was transacted.

The Central Bank of China in Canton continued to maintain the value of silver certificates at parity with the hard coins, using gold and silver coins (minted in U.S.) for redemption. The total issue of these certificates has not been made public. Only denominations of below \$1. were circulated, and \$5. or \$10. are seldom seen. These certificates in other cities than Canton are quoted about 10 per cent lower, for people lost faith and refused to accept them only profiteers collect and ship to Canton for redemption.

Expecting that their stock of silver coins will run out in the near future, the Central Bank of China in Canton decided to mint gold pieces of .1, .2, .5 and one oz. each in readiness for the redemption of the silver scrip. At present the Central Bank maintains the value of silver certificates by selling gold bricks in the open market. Gold coins will be minted in the government mints in Taiwan and Chengtu (Szechuan) and the printing of gold certi-

ficates (similar to the present silver scrip) will possibly start once the new gold coins have entered into general circulation in that part of China still under KMT control.

Thus there will be, until things clear up in the country, two currency systems in China Proper: in CP controlled China a managed paper currency with no conventional monetary backing, and in KMT China (apart from Taiwan which has its own US\$ linked currency) there will be silver and gold coins circulating side by side together with gold and silver certificates. But the commercial currency in Kwangtung remains of course the HK\$.

Japanese Financial Reports**Gold & Silver Prices**

The Japanese Government has increased the prices of gold and silver as officially purchased as from July 22. The revision was made in consideration of the enforcement of the single general exchange rate. The revised prices are as follows: (for gold of a weight of 1 gramme, silver 1 kilogramme; the previous official prices shown in brackets):

percent increase
Gold Y385 (Y326) 18
Silver Y7,388 (Y6,325) 17

Consequent upon this revision, the official consumer price, i.e. prices quoted for government sale of these metals through the mint, was also raised from Y329.35 to Y389 for gold and, from Y6,388 to Y7,462 for silver.

The present revision was designed not merely for raising the official quotation but was also aimed at discarding the cost principle hitherto applied to them domestically irrespective of the divergence from the international levels.

In 1938, one gram of gold was quoted at Y3.85 calculated in accordance with the price adopted by the United States mint i.e. \$1.125 per 1 gram or \$35.- for 1 oz. troy of gold, and according to the exchange rate of Y3.42 to the US dollar less fractional charges representing the cost of shipment to San Francisco.

The new price in Japan is in conformity with the price in the United States (\$1.125 for 1 gram of gold) and the new exchange rate of 360 yen to the dollar. The Japanese gold price should amount to Y405 per gram, however, 4 percent representing remittance charges, and 1 percent due to government as commission have been deducted.

The same way of computation was applied to the price of silver, which is based on the New York quotation (\$22.98 for 1 kilogramme) and the new exchange rate. 5 percent, representing shipping cost and commission, and 7 percent as a margin against market risks were deducted from the yen price of silver.

The revised prices will not boost the promotion of gold production since the unofficial price is about Y2,500 per 1 momme (approx. 3.75 gram) or Y400/430 per one gram.

Revision of Money Rates

The Policy Board of the Bank of Japan will revise the existing money rates in part. Salient revisions are as follows: 1. Trade bills. The ceiling

COMMERCIAL MARKETS

Pirates in the Pearl River

The firing on the s.s. WUSUEH at the mouth of the Pearl River when returning to Hongkong from Canton, combined with the suspension of some eight other vessels belonging to Chinese companies on the Kongmoon and Chungshan runs, not to mention other piratical attempts during recent months, is a sad commentary on the waning authority of the Nationalist Government even in the South China seas which, to all intents and purposes, are still in their hands.

Piracy is an inevitable accompaniment to chaos inside a country and the Nationalist Government has added to its difficulties by embarking on a blockade levied against the Communists, so that it has even less potential or numerical power to cope with disorders inside those territories still under its control. That the pirates are becoming more and more daring is shown by letters sent to shipping firms demanding extortionate fees for protection and failing acquiescence by making deliberate attacks on their vessels. As a result of this audacity on the one hand and the ineffective methods taken to combat it on the other, valuable coastal and river shipping is being unhappily tied up to the grave loss of all concerned.

discount rate for trade bills to be adopted by city banks will be reduced from the existing rate of 2.8 sen per diem (i.e. 10.22 percent yearly) to 2.6 sen per diem (i.e. 9.49 percent yearly) applicable to those rediscountable at the Bank of Japan. 2. Time (or Fixed) Deposits. The rates of interest for time deposits are (1) for those payable after 6 months 4.4 percent (0.02 percent up), and those payable after 12 months 4.7 percent or 0.03 percent over the current level respectively.

Second Transfer to the Counterpart Fund

Subsequent to the first transfer from the Foreign Trade Special Account to the Aid-to-Japan Counterpart Fund Special Account amounting to Y10,000 million, the SCAP authorities requested the Japanese Government to effect the transfer of Y18,500 million. The second transfer from the Foreign Trade Special Account consists of Y17,500 million which is supposed to correspond to Japan's foreign trade in the month of May totalling around \$48,000,000 which was added to Y1,000 million belonging to April.

Since the Counterpart Fund holds still Y3,000 million available for investment, the balance after the second transfer will be well over Y20,000 million.

The rate of interest charged on direct loans from this fund is to be fixed in the neighbourhood of short term money rates (10.22 percent) current in city bank circles. As for the repayment of these loans, the Government is planning to make them payable after 10-30 years. Delay in the preparation for relative decrees and practical procedures on the part of the Government is retarding the actual working of these loans.

The run between Hongkong and Canton has hitherto been considered fairly safe for larger vessels and this is the first incident in which a foreign vessel has been involved. It is true that Chinese gunboats have been patrolling these waters although apparently not in sufficient numbers to prevent the smaller Chinese vessels from being attacked, but this latest attempt—happily unsuccessful—has definitely proved that the Nationalist Government is no longer in a position to control traffic even on the short run to Canton however essential such service may be.

It is perhaps unjust at this stage to criticise too severely the inadequacy of the Government to protect its last major port and through it free entry into the surrounding districts, but day by day events cannot fail to bring the Government nearer and nearer to the stark realities of the situation. Each day a further retreat is recorded either in territory or in authority and these retreats cannot be denied in spite of the optimistic hopes voiced by one or other of the leading Government figures, and with each retreat difficulties increase. The Government should take stock of the situation and carefully consider whether the blockade is worth the sacrifice of law and order closer at home. While clinging tenaciously to the blockade, which appears to be more of an irritant to the Communists rather than any real threat to their ultimate progress, the Nationalist Government cannot afford to allow piracy to get completely out of hand which it undoubtedly threatens to do. It takes equipment and men to carry out a blockade with success and apparently, in view of the disorders arising in the waters around Canton, the Government has not sufficient naval power to maintain order and combat communism by means of a blockade at the same time.

The maintenance of order is of paramount importance in the Nationalists' struggle to survive and as the trade figures for July show, upon which we commented in our issue of September 1, the blockade is at best not effective. Hongkong's trade with North China increased during that month, whereas trade with South China showed a falling off. No other argument is needed.

Canned Fruit & Vegetables

In the Far Eastern Economic Review of June 29, a warning was issued that unless canned fruit and vegetable manufacturers acted promptly they might lose their market in Singapore, as a result of several cases of food poisoning traced to imports from China of low-quality canning. In a letter that has been received by the Hongkong Chinese Manufacturers Union from the Chinese Chamber of Commerce in Singapore the notification is conveyed, that in future canned foodstuffs from Hongkong and China shall not be permitted to be sold in Singapore unless they are certified by the Government analyst in Singapore to be free from pollution.

The method to be followed is that henceforth a shipment sample from each cargo, showing how the tins had been soldered and sealed must first be submitted to the Government analyst in Singapore, who will, if he thinks fit, order tins to be drawn from the shipment for examination. No shipment may be released for sale to the public unless it has been passed as free from contamination by this official.

The Position of Tientsin

The growing importance of Tientsin in the trade of North China is shown by the transfer from Shanghai to that city of several important concerns for the purpose of better carrying on trade with other countries while the "closure" by the KMT continues. Various ships have managed to run the blockade and have delivered their cargoes at Tientsin, from whence they have been despatched by rail to Shanghai, but this has placed Shanghai in a secondary position as a manufacturing rather than a shipping port, with all the attendant inconveniences and delays, and merchants consequently are finding it more convenient until the blockade is eased to handle trade from Tientsin. Shanghai meanwhile is continuing to send to Tientsin manufactured articles such as textiles, watch straps, springs, etc.

One of the chief exports from Tientsin is eggs, which are sent mainly to Hongkong for despatch to other countries. For the first half of this year these exports reached a figure of 4,804 quintals or 32,496,000,000 eggs, which represented 15.2% of the total exports from that port. July and August shipments, unfortunately brought the northern eggs into disrepute, as they were found to be below standard and dealers consequently suffered a loss, Manila importers who deal largely in these eggs refusing to take them and turning to South China for supplies. However, the quality of recent shipments has shown an improvement and it is hoped the authorities handling these matters will emphasise the importance of quality.

Another commodity which used to be an important one from North China is rugs. These, before the war, were shipped in large quantities to the United States in particular, their quality and design being of the best. With the civil war in China, the industry fell somewhat into the background, but it is now being revived and shipments abroad from March to August amounted to from 3,000 to 4,000 rugs, one cargo to the US comprising 500 rugs.

Vegetables from Japan

Before the war, large quantities of the better kinds of vegetables were regularly imported from Japan into Hongkong for local consumption as well as for re-export. Since the re-occupation of the Colony, importers have had to rely almost entirely upon China for such supplies and the effects of the civil war have made themselves felt in the disruption of transportation and the consequent uncertainty over obtaining the requisite amounts. Dealers have, therefore, been

searching for fresh sources of supply and have come to the conclusion that in spite of the high rate on the open market of US dollars, it can still be profitable to procure vegetables from Japan, thus reopening an old channel for supplies. A contract was accordingly placed, and the first shipment of over 20,000 lbs. of tomatoes, cabbages, pumpkins, cucumbers and garlic to the value of 450,000 yen should be shortly arriving. Japan always had a high standard for fruit and vegetables and the present shipment is understood to come up to expectations, comparing favourably with vegetables imported from abroad. If the consignment is well received, further orders will be placed.

Warehouse Space

The question of storage space in the Hongkong godowns is still so acute, that imports of paper, raw cotton, wool, sulphate of ammonia, etc., are being affected. In a shipment of 4000 bales of raw cotton from Pakistan, expected to arrive shortly 3970 bales of which are destined for discharge in Hongkong, the consignees have been notified to take ex-ship delivery as no provision had been made for storage; alternatively the cargo could be carried to Kobe for storage. Under these conditions trading becomes difficult, especially as it is known that a large proportion of the available godown space has been filled by goods which are being held as an investment pending the return of more favourable conditions. It is always a sign of uncertainty when people prefer to put their money into goods in preference to other alternatives, but it does not make the situation better for merchants. With a view to easing the situation, some importers are contemplating putting up temporary shelters for use as godowns.

Hongkong Export Licences

The Department of Commerce and Industry has now been able to make arrangements whereby as from September 1 both import and export licences will be handled by Mr. E. O'Neil Shaw at Telephone House, Des Voeux Road (Telephone No. 39325).

Coal

Three shipments of coal have been received from the Kailan Mining Administration in North China since the Communist occupation. The first lot of 20,000 tons was disposed of at \$74 per ton, and the second lot at \$70; the third lot of 3,000 tons, which has been imported by merchants for transhipment to Canton if permissible, coal being a controlled commodity, shows an arrival cost of \$70 c.i.f. Australian coal, 3,000 tons, also arrived recently but so far no transactions have taken place in regard to it. A cargo of 1,800 tons of coal from Formosa is awaiting shipment to Hongkong, this being the first shipment of coal in any quantity to be made from Formosa since the occupa-

Formosan Trade

The flight of a large number of officials and prominent businessmen to Formosa from Shanghai and other cities in North China, is leading to its

development as a trading centre dealing directly with other countries, apart from its growing trade with Hongkong. Recently a contract has been concluded with Japan, under which the latter country will furnish Formosa with bleached cotton, bicycles, plate glass, electric bulbs, wire cables, etc., to the value of US\$1 million, and one important concern dealing in electrical appliances will supply such articles up to US\$58,000. A contract has also been concluded with North China for the supply of salt on the barter basis.

Japanese Export Problems

The difficulties in trading with Japan have become familiar in trade circles. Some of the problems of Japanese business men seeking to expand their exports have not been well publicized. Certain Japanese firms complain that the length of time that it takes for export permits to be granted often interferes with the ability of Japanese sellers to quote firm prices and frequency of deliveries. Another handicap confronting Japanese businessmen striving to achieve stability in their trade relations are sudden and sometimes unexplained cancellation of contracts on the part of foreign importers. Lack of knowledge concerning the cancellation of these contracts often prevents the Japanese exporters from correcting the conditions that may have led to the cancellation of the contracts.

Failure of some potential buyers from making concrete recommendations for the modification of products that would make them more suitable for foreign markets has been a factor in the production of certain goods that are consuming raw materials and labor completely out of proportion to their value as export items. Having been out of touch with the fast-changing developments in foreign design, packaging and merchandising, scores of Japanese firms are producing articles on the basis of their sales of two decades ago.

Many Japanese industrialists and business men are asking for leads on how they might obtain catalogs, technical books and trade magazine that would help them follow present requirements of overseas markets and indicate changes that have taken place in the design of specific products.

To the frequent complaint that many Japanese firms have been unable to furnish information on production schedules and quantities of goods that would be available at various time periods, a number of Japanese business men replied that serious transportation problems in major industrial centers were a factor affecting output. For example, one Tokyo firm, many of whose workers had to travel on congested street cars as much as four hours a day in getting to and from work, was building dormitories to house the workers. These dormitories are located near the factory and the employees will visit their families chiefly on weekends.

Increased efforts are being made to smooth the flow of sample Japanese goods to foreign countries for display purposes. Careful examination of these

samples by importers and suggestions on how to improve various products are expected to lead to more modern Japanese manufacturing techniques in the production of many items.

The mounting number of trade agreements that are being concluded by SCAP between Japan and other countries are making available to Japanese business men a wider variety of raw materials and other products from which to meet their import requirements. This means that several types of products formerly imported as raw materials from hard currency sources are now coming under closer scrutiny in comparison with similar products from other sources. In offering these goods to Japan, American sellers now bear in mind the increased offerings from other countries, as well as price differentials that exist owing to currency variables. Sterling area trade is now much pushed and Japanese traders are trying to build up more of this trade.

HONGKONG COMMODITY MARKETS.

Industrial Chemicals

Japanese chemicals went up in price during the last two weeks and the trend is further upward as a result of the high TT Tokyo (US\$) rate. Importers of practically all Japanese goods must advance the quotations of their cargo in order to earn some profits; the unofficial rate for Japan account US\$ went up to HK\$7.40 and most chemical imports were recently paid for at over HK\$7 per US\$1 in Tokyo account. On the other hand, unofficial TT New York was down and, after having been for about 4 months above HK\$6, broke through this level and importers of US chemicals could obtain sufficient exchange at \$5.80 to 5.90.

North China continued as a strong customer and there is increasing business being done. Tientsin is now a supply base for Shanghai because of the KMT blockade of the Yangtze estuary. On account of better demand from China and easier communications with the communist controlled areas local prices were firm and the sentiment among importers and dealers has much improved.

Caustic soda solid. Market steady. If TT on New York will continue downward, market is expected to come down as buying interest was limited. Recently a shipment from Formosa arrived which was packed in 53/55 gallon kerosene drums. No interest was aroused as both local consumers and exporters do not wish to buy it prior to testing its quality unless final buyers abroad agree to take it. Price is about 19½ cents per lb. In 1947 some Hongkong dealers produced a caustic soda from potash alum, and last year a shipment from France contained metallic sodium which caused many explosions, therefore buyers are now unwilling to experiment with new packings. USA origin 700 lb. drums sold from \$155 to \$157 per drum. Crescent brand 672 lb. drums sold \$176 to \$180 per drum according to quantity.

Caustic soda flake. USA origin 400 lb. drums is about 25 cts. per lb. Its consumption is not so large as the solid kind as its price is higher.

Lead acetate. It is about \$1.20 per lb. Small lots sold to Tientsin.

Chrome alum. Small shipment was made to North China of this tanning material. It is now about 52 cts. per lb. for the Czech origin 200 kg. wooden barrels.

DPG. Small lots of USA origin 150 lb. fibre drums were sold around \$2.05 per lb.

Lamp black. Stock is scarce and market brisk for ICI Fortress brand 187.5 lb. cases. It was first sold \$260 per case up to \$285, and then \$300. On 1st September it was \$308. At the moment many sellers ask for \$330 per case. It was bought by Tientsin and Canton. However, the Getz brand of the same quality and packing only sold \$225 per case, its market was firm. New shipments of other brands have arrived.

Lithopone. Market active, Dutch origin 50 kg. gunny bags sold 40 cts. to 41 cts. per lb. USA origin 50 lb paper bags sold 44 cts. to 45 cts. Rather big business was recorded.

Zinc oxide. Owing to the shortage of US dollar exchange on Tokyo and heavy demands from Korea and North China, the market advanced step by step. Over hundred tons business was recorded in the past two weeks. Japan origin 50 kg. wooden barrels with export permit at first sold 74 cts. per lb., and then 76 cts., 79 cts., and now 81 cts. As stock of 50 kg. wooden barrels is short, buyers turn to 50 kg. wooden cases which also sold from 70 cents per lb. up 78½ cts. now.

Acetic anhydride. As a result of heavy demands from Tientsin, business came to its climax of this year. Almost all cargo was of USA origin. 480 lb. drums sold from \$1.18 to \$1.28 per lb. 450 lb drums sold \$1.30. As stock of 480 lb. drums declines, the 450 lb. drums sold up to \$1.30. Although sellers cannot make profit on account of the previous purchasing price being higher, yet market depends upon the buying interest, and as it turned east last week with price drops in USA, the trend is downward. In 1947 it was once sold up to \$30 per lb. when it was exceedingly short in stock.

Magnesia cement. This cement is for rice mill use. When it is mixed with emery and magnesium chloride a hard mass is formed. This mass fixed on the mill is used for grinding cereals. This process is chiefly adopted by the mills is South China. In the past fortnight the highest business on record was established during this year. The English origin 1 cwt. drums sold from \$53 to \$60 per drum.

Sodium hydrosulphite. Market is quiet, only small lots were sold at \$150 per picul for the English origin 1 cwt. drums.

Phenol. Market dull. Very small business was recorded. USA origin 475 lb. drums sold 91 cts. per lb., but was resold for small lots up to 95 cts. Australia origin 448 lb. drums sold at 90 cts. per lb. As demand is less and shipment continues it is believed to be coming down again.

Ammonium chloride. Market active and price upward. Crescent brand 75 kg. bags is short in stock. English origin 1.5 cwt. bags sold from \$590 to \$620 per long ton. A few tons of Poland origin 250 kg. wooden barrels sold at \$590. As it is still much cheaper than ammonium sulphate fertilizer, and below indent price, there is an opportunity for further advancement.

Citric acid. Crystal form 1 cwt drums first sold \$2.30 per lb. and then down to \$2.10 as new shipment arrived from Italy. Granular form 1 cwt. drums sold \$2 per lb., whilst that in 100 kg. drums sold from \$1.85 to \$1.90. As the hot season is passing, and there is a broad margin of profit for indent orders, the future market is tending down.

Glacial acetic acid. Market from bullish to calm. Although Tientsin buyers intend to make purchases yet they wait for cheaper prices. Japan origin packed in 30 kg. carboys was asked 96 cts. per lb. Italy origin 25 kg. carboys sold \$1.05 for hundred carboys. Dutch origin 25 kg. carboys sold at the same price as Italian. Dutch origin of 45 lb. carboys sold from \$1.10 to \$1.12 per lb.

Extract of mimosa. Market weaker. Elephant brand 1 cwt. bags sold \$52.50 per bag. It may now be obtainable at cheaper price.

Potassium chlorate. Market quiet. USA origin 160 lb metal drums is around 69 cts. per lb. As stock is heavy and firecracker factories accept very few orders from America for the Christmas season, the local, Macao and China consumption will decrease.

Sodium cyanide. English origin 50 kg. drums from 96 cts. sold up to 98 cts. per lb. Business is normal.

Malachite green. This is a basic dyestuff. The USA origin 225 lb fibre drums sold \$1250 per picul.

Mercury. Japan origin 76 lb. iron bottles sold \$670 per picul, and afterwards European origin of the same packing sold \$685 for a considerable lot. As fresh shipment is on way to Hongkong from Europe, the price is expected downward in spite of Japan origin being unprofitable to import due to higher US dollar rate on Tokyo.

Gum Arabic. Market dull. Egypt origin 100 kg. bags is about 90 cts. per lb.

Sodium sulphide. Business was recorded but not on large scale. The 62% purity yellowish red colour of USA origin sold \$640 per long ton. That of inferior quality at \$610 to \$615 only. The ICI Chinchin brand about \$720 per long ton.

Menthol. As shipment from Shanghai is obstructed, and higher price in USA, the local market is steady. Some business has been done for export to Malaya. It is sold \$73 per lb. for 12 x 5 lb. tins per case packing.

Sodium bicarbonate. ICI Crescent brand 100 kg. bags sold from \$38 to \$39 per bag.

DNCB. Monsanto 600 lb drums about \$1.15 per lb. English origin with melting point 47 degrees C is about 98 cts. The melting point of this chemical varies from 36 degrees C to 53 degrees C by the different position of the con-

stituents. In some case many buyers insist on a particular melting point.

Rosin. Kwangtung origin No. 1 quality sold \$31 per picul. A shipment was made to India.

MBT. Market sluggish. Only small lots were sold to local factories and some small lots to Semarang. English Monsanto 224 lb. metal drums sold \$1.75 per lb. USA origin Vanderbilt 200-lb fibre drums sold \$1.95 only.

Red amorphous phosphorus. The price of Canada and France origin remained unchanged but of Japan origin advanced. The Lion and Fork brand France origin 110 lb. cases sold \$285 per case as before but Japan origin 110 lb. case from \$210 to \$220 per case.

Vaseline. Snow white advanced a little as stock declined, the 375 lb. drums sold 44 cts. lb. The light amber grade sold 28.5 cts. only.

Ammonium bicarbonate. As ICI products are not in plentiful stock, the price of 1 cwt. drums is about \$42 per drum, therefore buyers turned to buy Poland origin 50 kg. drums which sold from \$39 to \$38 per drum.

Soda ash. France origin grade 100 kg. burlap bags is around \$29 per bag. The stock of USA origin dense grade 100 lb. paper bags is not large. A sizeable quantity was sold \$20.50 per bag.

Calcium chloride. As summer is drawing to its end the stock holders liquidate. This ice making material was at first sold \$135 per drum, and then down to \$125 for the ICI 272 kg. drums.

Bright liquid gold. Hanovia 28 gram bottles sold \$34 per bottle notwithstanding the lower gold price recently.

Borax. In late August no business was recorded. Since the turn of September inquiries came in and business resulted. Crystal form 50 kg. bags USA origin sold \$36.50 per bag. Granular form 100 lb. paper bags USA origin sold \$22 for small lots and \$21.50 for larger quantity.

Glycerine. Market quite dull. Dutch origin 250 kg. drums CP (chemical pure) quality about \$1.90 per lb., but there is a want of buyers.

Citronella oil. This essential oil is produced in Indonesia, Indochina and Formosa. It is often used for improving washing soap. As stock is not much it sold at \$5.20 per lb.

Saccharine. Monsanto granular soluble 1 lb. tall tins old packing now is down to \$12.30 per tin. Buying interest is almost nil.

Red iron oxide. USA origin 50 lb. paper bags sold down to 90 cts. per lb. As demand is narrow the market is difficult to bring up in spite of stock being not large. It is commonly called "Jeweler's rouge" being used as fine abrasive. However, its chief use is for rubber filling.

Nitric acid. Market somewhat active as more gold was arriving in Macao. The Dutch origin 80 kg. carboys sold higher, 64 cts. per lb. due to lower stock, but USA origin 57 lb carboys remained unchanged.

Pumicestone powder. This stone is produced in Italy. It is used as an abrasive in coarse manner. The indent price for English packed goods of Italy

origin 24 lb. wooden barrels is 37 cts. per lb.

Calcium carbonate. Some inquiries for the heavy grade of Japan origin 50 kg. burlap bags, but business was not yet established. It is about \$242 per metric ton.

Talc powder. Market quiet. Korea origin 40 kg. paper bags is about \$365 per metric ton.

Paraffin wax. Market advanced. Semi-refined 8 slabs to one carton AMP 125/130 is around \$63 per picul. Fully refined 9 slabs to one carton AMP 143/150 is about \$78 per picul.

Potassium carbonate: This is a Chinese native lye raw material. France origin 400 lb. metal drums 98.5% pure is about 68 cts. per lb. The indent price for same in 52 cts. only.

Sulphur black: "Falco" brand was asked \$175 per picul.

Cotton Piece Goods

The improvement in the cotton piece goods market has continued, with activity on the part of buyers from Java, Manila and Singapore; the turnover was good and prices showed an improvement: grey sheetings Mammoth Bird rose to \$46.50 per piece, Dragon Head sold at \$46, Fairy Eagle at \$43.40, Fairy Tiger at \$42.70 and Double Lamp at \$42.70. Black cloth Bee & Eagle rose to \$54.50 and Hing Fung to \$54. White cloth Camellia brand improved to \$45.50, Parachute to \$47 and Tsing Mu Lan to \$44 per piece.

Raw Cotton

A cables request from Shanghai for raw cotton brought an improvement in the market. Sales were effected of NT at \$1.75 per lb., and LSS second quality fetched \$1.65 per lb. at first but sellers later held out for a better price. LSS first quality was offered at from \$1.66 to \$1.75, 4F at from \$1.65 to \$1.67. and 7/8 US cotton at from \$1.60 to \$1.70 per lb.

Artificial Silk Yarn

Stocks in Hongkong of artificial silk yarn now amount to around 90,000 lbs. with the recent arrival of 50,000 lbs. of Japanese artificial silk, the major portion of which is Tenkyo No. 120. The market showed activity, with demands not only by local manufacturers but also from Korea and Canton. Korean buyers took 3000 lbs. of Tenkyo No. 120 at \$4.35 per lb., Canton buyers purchased 200 lbs. of Peacock brand at \$4.10 per lb.

Metals

The metal market was dull on the whole during the week, with only a small turnover. The price of zinc sheets improved as a result of low stocks, Japanese 3' x 7' G5 sold at \$95 per picul and G6 at \$92; Central China buyers were requiring the Polish make and G5 rose to \$112 per picul while G6 was offered at \$100 with counteroffers at \$99, G7 and G8 were offered at \$112 and \$110 respectively. A further 30 tons of USA iron hoops of .015 specification was received, the quality being better than that of previous arrivals: 1/2" fell to 70 cents per lb., but 3/8" improved to 85 cents owing

to a temporary shortage of supplies; British G27 dropped to 60 cents, French G20 and 3/4" stood at \$55 per picul; 1" improved in price to \$52 per picul. Interest in barbed wire has slackened considerably and prices fell: 1 cwt. packing dropped to \$50 per bundle, the French product was reduced to \$24 as against \$32 per bundle previously, the Japanese 1/2 cwt. packing was sold at \$15/\$16 per bundle. French round bars were offered and contracted for at £23/- per metric ton for forward booking; spot cargo 1/4" to 5/16" was offered at \$36 per picul, 3/8" at \$33, 1/2" at \$31, 5/8" to 7/8" at \$29, 1" to 2" between \$33 and \$34. In view of the higher prices previously contracted for, dealers were involved in losses on old stocks.

Flat and angle bars (French) were offered at £25/10/- per metric ton forward booking. Angle bars were in demand locally for defence requirements and stocks were practically liquidated: 1 1/2" to 1 3/4" sold for \$52 per picul, the highest price, sellers later holding off for \$50 per picul, 2" to 2 1/2" stood at \$46 and other specifications were at \$40; flat bars 5/8" and 3/4" showed an improvement and fetched between \$33 to \$34 per picul, 3/8" thick 3/4" to 7/8" and 1" to 3" were offered at \$41. Square bars were inactive: 5/8" fell to \$39, 3/8" to 1" dropped to \$38. The market was active in British rolled brass sheets, 12" wide meeting the requirements of local torch manufacturers: G12 was most in demand and improved to \$230 per picul, with a large turnover although all demands could not be completely filled; G8 sold at \$222 per picul, G9 at \$220 and G10/G11 at \$225. British brass tubes, new arrivals, created little interest: 5/8" were offered at \$195 per picul and 3/4" at \$200. Misprint tinplate (USA) was required by Cantonese buyers: white base sold for \$57 per case and black base for \$55.

Cement

Japanese ex-godown stock having been sold out, it is not anticipated that much will be imported in view of severe competition from local makes as a result of the high US dollar TT rate on the open market: Indo-China Red Dragon brand was in demand from local buyers, but the price could not show much improvement against local makes, 1 cwt. packing rose from \$6 to \$6.10 per bag, ex-ship stood at \$5.80 per bag or \$115 per ton; Green Island "emeralacrete" rapid hardening cement in bags of 112 lbs. sold at the usual price of \$7.50 per bag, "emerald" brand in 112 lb. bags stood at \$6.70 and in 94 lb. bags at \$5.60; British "snowcrete" white cement in drums of 375 lbs. nett was at the usual price of \$55 per drum; Danish Bates brand white cement in 1 cwt. bags was booked at \$245 per ton, and at \$15.80 per 1 cwt. bag.

Gunny Bags

A contract for the supply of gunny bags to Japan to the value of US\$200,000 has been concluded locally, the shipment to be effected shortly. The lifting of restrictions on the export of gunny bags from India has eased the situation considerably and shipments to

South Africa have been arranged although a decision is still being awaited as to whether payment will be made in sterling or US currency. Tientsin is also in the market for gunnies, if not to the same extent as South Africa; a shipment of 200,000 old gunnies has been despatched to the northern port, with more to follow: the local price for old gunny bags was from \$1.75 to \$1.80 per bag. Forward bookings in respect of cargoes en route from India ranged from \$2.65 to \$2.55 per bag; spot price on the local market for Heavy Cees started at \$2.95, with sales at \$2.90 and \$2.85 per bag.

Wheat Flour

Although the buying power of Amoy and Swatow has been weakened by the advance of the Communist armies, Canton was active with purchases of wheat flour and buyers from Formosa were in the market for 13,000 bags to be exported shortly to that island: Saskania brand sold at \$21/\$21.50 per 50 lb. bag, Delta's Queen rose from \$20.60 to \$21.20, White Greens was offered at \$21.50, Sampan brand sold at \$20.80.

Vegetable Oils & China Produce

As a result of the uncertainty that exists in regard to the procuring of commodities from China, vegetable oils from Hunan being difficult to obtain while supplies from Szechuan can only come by air, competition has been reduced to a minimum and it has been found impossible to guarantee forward deliveries for any China produce. However, large quantities of tungoil (woodoiloil) and teaseed oil continue to arrive from Canton, adding to the stocks held in the Colony. Further supplies of tungoil amounting to 2,500 tons are also expected from Tientsin; this cargo was taken from Nationalist Government stocks in Shanghai and sold by the Communists to the Shanghai dealers for export. One cargo of 200 tons of this tungoil which arrived from Tientsin at the price of \$145 per picul c.i.f., sold on the local market at \$160 with export permit. The forecast is that with the present lack of interest and the large stocks coming from Canton falling prices are inevitable. Tungoil without permit was offered at \$152 per picul, but buyers counteroffered with \$150, and later the price fell to \$148. Teaseed oil 5% acid was reduced to \$165 per picul, but buyers counteroffered at \$158. Rapeseed oil without permit had a few sales at \$115 per picul. In Canton the price of tungoil fell from \$129 to \$117, and that of teaseed oil from \$152 to \$130 per picul. Tientsin groundnut oil, in drums, met with an inactive market and the price in Hongkong fell from \$131 to \$120 per picul.

Indian buyers were in the market for cassia lignea of 60 catties packing which sold for \$54 per picul; Kwangtung (Tung-Hing) cassia whole and cassia bud showed lower prices on the local market and fell to \$76 and \$73 per picul respectively. Aniseed star was in demand by Singapore buyers and prices rose from \$47 to \$55 per picul.

Ramie from West River, Kwangtung, was short of stock and sellers held out for \$162 per picul, counteroffers by buyers at \$157 not being accepted. Rosin from East River, Kwangtung, showed falling prices, with lack of buying support from Tientsin, \$31 per picul being asked with no sales. Bamboo poles met with a dull market, the local price being 25 cents with no sales. Offers from London for No. 2 quality bamboo poles were quoted at 5½d per lb., or 22 cents locally. The price last July for No. 2 was between 13 and 14 cents per lb. and of No. 1 between 25 and 26 cents. The present price for No. 1 was 35 cents and even 55 cents per lb. was asked; the increased price being on account of transport difficulties. A shipment of 1,000 piculs of rattan core has recently been shipped to West Germany at the price of 1/3d to 1/4d per lb. c.i.f. About the same quantity of rattan whole and rattan core has been despatched to Australia at the price of 1/- and 1/3d to 1/4d respectively per lb. c.i.f. The season for rattan is from December to March/April.

Ores

Interest in tungsten ore (wolfram) 65% is still lacking where the USA is concerned, and stocks are piling up with new arrivals and with cargo from Canton, the latter being offered at \$270 per picul with export permit; the 80% quality was offered at \$215 without export permit, but buyers showed no interest. Cargo from South Korea was in short supply owing to transportation difficulties, and old stock with permit was offered at \$260. In order to avoid the surrender of exchange in Hongkong, Cantonese exporters of tin ingots have been diverting a proportion of their shipments to Macao for export abroad. However, a recent arrival of 30 tons of tin ingots from Kwangsi 99% and Yunnan, both with export permit, was placed on the market and fetched \$265 and \$620 per picul respectively. Offers from New York were received at US 79 cents per lb., but no transactions took place, the price being too low.

Beans

Stocks of soya beans being temporarily low, prices rose slightly; however, it was expected that there would be a drop in price with the arrival shortly of a large shipment from North China and buyers consequently held back except for the purchase of 3,000 bags at \$40.20 per picul by Singapore interests. A shipment of 2,400 tons of beancakes was received from Tientsin, the bulk of which was disposed of to Formosan buyers at \$28 per picul except for immediate despatch to Kee-lung.

Tea

Offers have been received from the United States, Great Britain and other countries for China tea, the main inquiries being for black tea of good quality at from \$1.80 to \$2 per lb. The tea trade has become so disorganised that for some time almost the only sources of supply have been Fukien and Formosa. With the advance of the communist armies into Fukien, however, supplies from that quarter also have become limited, and dealers are obliged to rely upon Formosa for the major portion, while speculators are taking advantage of the situation. Formosan broken Orange Pekoe, fine grade, stood at \$200/\$210 per picul and lower grade at \$180/200. Orange Pekoe, fine grade, was at \$167/\$176 and lower grade at \$155/160 per picul. Foochow Paklum Congou, new crop, fetched \$330 per picul.

Feathers and Hair Nets

A shipment of 1,000 lbs. of feathers is expected shortly from Tientsin, but as the quality is below 85% it will have to be sorted to reach standard export quality before being placed on the market: Haiphong second quality duck feathers fetched \$190 per picul. Offers were received from the USA for goose feathers of 85% quality at an improved price of US 50 per lb.; a small turnover was effected on the market at \$450 per picul for G.G.S. 100%.

Human hair nets have been in short supply for a long time, this commodity being obtainable from North China and Korea. Australia and Malaya take large quantities. A supply recently re-

ceived from Tientsin under the barter system, was on offer on the market at \$20 per gross, but no interest was shown in forward deliveries in view of the uncertainty of procuring further supplies.

Oranges and Potatoes

Around 20,000 cases of fresh fruit recently arrived from the USA and Australia, with oranges composing the bulk of the shipments. Unfortunately large stocks, a shortage of refrigeration space, and the humid weather prevailing made it necessary for dealers to dispose of the oranges at a loss, 200-220 counts being sold at \$47 per case, 252 counts at \$43, 288 at \$42, 344 at \$40 and 392 at \$36, representing a fall of from \$7/\$8 per case.

Potatoes also were in the soup recently, as a quantity of 1,000 tons from Australia, owing to shortage of storage space, had to be disposed of at lowered prices: offers were made of \$22 per bag, but with few sales; the indent price was \$23 per bag and \$27 per case.

Preserved Eggs

With the approach of the Chinese mid-autumn festival, preserved eggs are in demand, 1½ million eggs being booked by local moon cake makers and distributors: Kwangtung preserved eggs sold at from \$33/\$36 per 100 and Swatow for \$26.50/\$28 per 100.

Hongkong Food Prices

Prices of essential foodstuffs on September 3 in the Hongkong market: Rice, first grade (Yao

Tsim)	.725
Beef, local	3.47
Pork local	3.47
Chicken, first grade	5.07
Granulated Sugar	.50
Flour, imported	.65
Eggs, Hen	1.00 (5 eggs)
Garoupa	5.20
Red Sea Bream	1.90
Turnip	.56
Potatoes	.60
Cabbage	1.20
String Beans	.72
Tea, low grade	1.80
Tea, high grade	7.00
Firewood	.092

(Except in the case of eggs, the prices quoted are per catty=1.33 lbs.)

Economic Developments In Shanghai And Tientsin.

SHANGHAI

General.—Business activity in Shanghai during August continued in a slump with trading dull due to the blockade disrupting the flow of goods. Because of the heavy motor vehicle tax half of the city's 13,000 automobiles were off the streets. Shanghai bus fares were increased 25 per cent while tram charges were upped by 70 per cent.

Industry.—Shanghai industries are operating at 40 to 50 per cent of postwar production levels. Cotton yarn and textile mills were estimated to be operating at 40 per cent capacity. The cigarette industry was producing only 40 per cent of its postwar average and the output from Shanghai's 28 flour mills was 34 per cent of maximum.

Taxation.—Business tax regulations were promulgated August 12. Tax is based on business turnover and is to be collected quarterly. Thus far, PBN 3 billion (equivalent to US\$1.1/3 million at prevailing official exchange rates) in land tax has been collected.

Insurance.—Insurance brokers were required to register with the Shanghai Military Control Commission (MCC) before August 20. Insurance firms are also required to secure MCC permission to open branch offices.

Foreign Trade.—Those importers and exporters whose applications for licenses were approved are permitted to trade via Tientsin with the proviso that foreign exchange from exports be deposited in Tientsin banks. Trade is to be conducted under North China regulations and not those governing Shanghai, i.e., East China. An initial shipment of 800 tons of wood oil was sent from Shanghai to Tientsin for export to Hongkong.

A total of 26 state trading companies (monopolies) have been established in the East China area covering the provinces of Shantung, Kiangsu, Anhwei, and Chekiang in addition to the cities of Shanghai and Nanking. Of the 229 factories and firms registered with the East China Foreign Trade Control Bureau to receive raw material and other imports, only 34 are of foreign nationality.

All importers have been requested to register those imports for which letters of credit have been issued that were off-loaded at Hongkong due to the blockade. China urgently needs the chemicals, machinery, raw cotton, and rubber in these shipments. An attempt was made to bring these in via Tientsin.

Trade returns between the Northeast (Manchuria) and other communist areas in China reached the equivalent of US\$4,496,000 from May through July 15. Over 30 per cent of this trade was handled by state trading companies, 63 per cent by private merchants, and 5 per cent by cooperatives.

Communist authorities have extended the deadline, presumably indefinitely, for registration of imports paid for prior to the takeover but not yet delivered.

Barter Agreements.—The recently concluded barter agreement between the USSR and the Northeast has been

eagerly seized upon by the local press as further evidence of the friendship existing between the Chinese people and the Soviet. At the same time it is viewed as aid in offsetting the harmful effects of the allegedly "imperialist-inspired" KMT blockade. Industrialists in the communist area hope that the idea may be extended to East China and North China in the future. The press continues to emphasize the barter deals between Shanghai and the hinterland. The latest is with Soochow providing for the exchange of nearly 2 tons of rapeseed for each ton of fertilizer. In addition, Hankow is to supply Shanghai with nearly 4½ million tons of rice and about 10,000 tons of cotton during August and September in return for 30,000 pieces of cotton yarn and 2,000 bolts of cotton cloth.

Travel Permits.—On August 8 provisional measures governing the issuance of travel permits were promulgated for the purpose of enabling local merchants to pursue trade in other communist areas, facilitating free movement of goods, and permitting the entry and exit of ordinary citizens for valid cause. Conspicuous was the fact that no mention was made in the regulations concerning foreigners.

Finance.—The current drive by the Shanghai MCC to get people to exchange their U.S. dollars for legal tender (PBN) has had the effect of keeping the official U.S. dollar exchange rate at PBN 2,250—a rate which has held since August 5. Both the pound sterling and Hongkong dollar were similarly suppressed due to little demand. The official rate for the pound during the latter part of August was PBN 5.850 and the Hongkong dollar exchanged at PBN 365. The black market remained inactive in August with rates mostly at par with official quotations due to the conversion campaign. As a result, the money market was extremely loose due to sharply curtailed outlets for surplus capital. The daily loan interest rate was forced to a low of 1.6 per cent and the black market interest rate to 0.85 per cent by August 15.

Commodities.—All commodities were down during the latter part of August due to dull trading. Speculators were unloading stocks fearful of further drops. Indicative of the decline was the price of rice which dropped from PBN 60,000 a picul on August 9 to PBN 48,000 on August 15. Weakening of purchasing power was reflected in the precipitous fall of the parity deposit unit to 816 by August 15, a drop of 100 in a week.

TIENTSEN

General.—The Hai Ho continued to exceed the flood warning stage while levels of upper streams of the North Grand Canal and the Tzu Ya River were rising during August. Measures have been taken for flood prevention and relief work.

Foreign Trade.—The North China Foreign Trade Bureau announced that henceforth foreign exchange from exports of hooked rugs, straw braids, fresh and dried eggs, wines, horse hair, and soy beans must be surrendered for

local currency instead of being used as barter for imports. As a means of subsidizing exports, the Tientsin Bank of China secured approval of the People's Bank to extend export loans at varying interest rates. The plan is an experiment in trying to adjust profits with different production costs.

Barter Agreements.—Two contracts involving the barter of cloth were concluded between North China and the Northeast (Manchuria).

Foreign Exchange.—The Tientsin Bank of China urged importers and exporters to withdraw all their overseas foreign exchange holdings and deposit them with the Tientsin bank. Official foreign exchange rates were revised upward on July 29 and again on August 1. U.S. dollar quotations increased from PBN 2,000 to PBN 2,300 on July 29 and to PBN 2,700 on August 1. The rate for the pound sterling went from PBN 5,100 to PBN 5,800 (July 29) advancing sharply to PBN 7,560 (August 1). The Hongkong dollar rate was revised from PBN 300 to PBN 350 and thence to PBN 400. These rates remaining throughout August.

Commodity Prices.—The Economic Research Institute of the Nankai University reported on July 27 the general commodity price index as PBN 2,060,841, an increase of 42 per cent over the previous week.

SHANGHAI'S TEXTILE INDUSTRY

Conditions in the textile industry of Shanghai—Of 112 factories in the handkerchief industry, 22 are now operating, and 70 others hope to resume operations soon. Output is 15 per cent of capacity with 800 of 2,670 looms in use and 1,000 of 4,000 employees working at least part time. Raw materials are available. There is little domestic or foreign business, however, because of low purchasing power in China and unsatisfactory foreign exchange rates.

The knitting industry embraces 157 electric-powered and 474 hand-operated hosiery factories, 157 suit manufacturers, and 25 others, making a total of 847 factories, only 403 of which are in operation. Monthly consumption is put at 21,997 bales of cotton yarn, 39 cases of synthetic silk, and 204 bales of mill silk. The domestic market has been destroyed by disrupted communications.

There are 316 factories in the underwear industry, of which 77 are operating normally, 13 have reduced output, and 226 have suspended operations. The yearly output amounts to 4,120,000 dozen pieces of underwear, consuming 43,500 bales of cotton yarn. The industry is unable to dispose of its stocks and lacks operating capital. Of 383 mills in the silk-textile industry, 110 were operating, although 100 more expected to resume operations. Maximum monthly output was placed at 20,000 bolts of pure-silk fabric and 50,000 bolts of mixed-silk fabrics. Output at present is 6,500 and 12,000 bolts respectively. Marketing of goods is difficult.

Of the 105 former plants in the silk-reeling industry, only 5 remain, 3 of which are operating, with 578 silk-reeling machines capable of producing

The Heavy Chemical Industry Of Kwangtung

In the prewar period, Kwangtung relied principally on foreign sources for its supplies of heavy chemicals. Though imports were not heavy compared with the volume required in more industrialized areas, they were important in terms of Kwangtung's balance of payments. In the five-year period 1929-33, expenditures for basic chemicals accounted for 14 per cent of the total value of manufactured articles imported into the Province. For this reason, self-sufficiency in the production of the major industrial chemicals became an objective of the current Three Year Plan prepared by the Kwangtung Provincial Government. As envisioned by Government planners, the chemical plant is to include two units—a sulfuric acid factory and a caustic soda works. These installations are to be erected at a total cost of US\$115,000, or 6.5 per cent of the gross estimated budget for provincial development. Output would be consumed by the domestic refining, textile, paper, munitions, and fertilizer industries.

Sulfuric Acid

In 1933 a plant for the production of sulfuric acid was constructed on a 10-acre site near Canton. Daily output at the plant, which employed 80 persons, was 13.6 metric tons of 98 per cent acid. The contact process was used and operating expenses totalled US\$2,355 per month. Of this amount, 96 per cent was cost of production and 4 per cent was administrative expenses.

The product—98 per cent sulfuric acid—was marketed in wooden boxes, each containing two 100-pound jars of acid. Demand exceeded supply, fertilizer manufacture alone requiring 14.5 tons of acid daily. Hence, efforts were made to increase output and produce acids of higher concentration. In this connection, plans were drawn up in 1936 which would have provided another absorption tower. This unit, to have cost an estimated US\$15,000, would have produced 11.8 tons of 20 per cent fuming sulfuric acid daily. The expansion did not materialize because of the war.

In the first phases of operation, the provincial sulfuric acid plant imported sulfur from the United States. Although comparatively cheap, these raw material imports constituted a drain on the supply of foreign exchange, so efforts were made to locate a domestic source of sulfur. A pyrite deposit was discovered in the Ying Tak district (Ta Yuan mountain). Reserves are estimated at 500,000 tons; there is an additional deposit at Ching Yuan, but its potential is unknown. By

300 piculs of raw silk monthly. Present output is 240 piculs.

In the shirt-making industry, 36 of the 115 factories are operating at full capacity and 16 have reduced output. The maximum monthly potential is 50,000 dozen shirts, but present production is only 10 per cent of this figure.

February 1935, preliminary work, including a 10-mile highway and a hydroelectric plant to provide power for the mine pumps, had been completed, and output in mid-1936 was averaging 27 tons of pyrite ore per day. To handle this material, a special furnace was installed at the provincial plant which enabled the industry to shift entirely, in early 1937, to the processing of domestic material. The Japanese invasion in 1938 resulted in some destruction of the installation. Although the buildings were left standing, 60 per cent of the machinery and equipment was removed or destroyed. The current Three Year Plan will attempt to reestablish this basic industry.

Sulfuric acid will be essential to most of the industries planned for Kwangtung. The contemplated superphosphate installation alone will require 900 pounds of acid per ton of output. To meet this demand, the Provincial Government intends to reestablish the Canton plant at the old site and with about the same equipment. In addition, it is proposed that a new and larger factory be constructed at Ying-tak, near the location recommended for the fertilizer plant. This site would be close to sources of raw materials and power, assuming the Weng-chiang power plant is eventually constructed. If complementary industries are developed and a power supply assured, the location of an acid plant at either of these sites would be economically justifiable.

Caustic Soda

Kwangtung's prewar imports of caustic soda and bleaching powder averaged daily 10 and 12 tons, respectively. In an effort to improve its supply position, the provincial Government constructed a small caustic soda plant in the Sai Chuen suburb of Canton. It was completed in January 1935 at a total cost of US\$70,000. Although the plant was completed in 1935, it did not go into operation until July 1937, when the completion of a new power plant provided adequate supplies of electricity.

Using the electrolytic process, the unit produced daily 6.3 tons of 98 per cent caustic soda, 6.3 tons of bleaching powder, 3 tons of 30 per cent hydrochloric acid, and 1 ton of liquid chlorine. The machinery and equipment were supplied largely by a United States concern; certain ceramic units were purchased from the United Kingdom.

The Japanese occupation resulted in damage to 90 per cent of the plant's machinery and equipment. There are no plans to reconstruct this industry, although a request for aid in rebuilding the factory was submitted to UNRRA in June 1946. In the meantime, the following plants are producing for domestic consumption.

Maximum Monthly Output (metric tons)

Chemical Factory	Caustic Soda	Hydro-chloric Acid	Breaching Powder
Nan Fong	9	—	—
Ko Wah	25	—	—
Nashel	5	2	—
Lingnan Industrial	5.5	—	—
Tai Chung	5	—	—
Sze Kang	10	300	—
Tai Lai	4	4.5	—
Yuen Ning	20	—	80
Kao Tai	—	45	—
Wah Shing	15	—	—
Tai Ah	100	—	—
Tai Yau Industrial	20	—	—
Total	218.5	351.5	80

The principal raw material, salt, is available in large quantities in the Province. Production of the other requirements is part of the Five Year Plan for Kwangtung. The principal deterrent to reconstruction is the power shortage; until adequate supplies of cheap energy are assured, the development of this or any other electrochemical industry in Kwangtung will be limited and production costs will be prohibitively high.

The prewar chemical industry is to be reestablished on a larger scale during the next few years. The program, now largely on paper, provides for the following output:

Sulfuric Acid	5,400
Soda ash	5,000
Caustic soda	3,000
Bleaching powder	35,000
Hydrochloric acid	600
Potassium chlorate	200

These items are necessary for the development of both the textile and fertilizer industries, which are important units in the postwar industrialization program. From the standpoint of availability of raw materials, the scheduled development of the chemical industry seems justifiable, and the problem of transporting these essential commodities, particularly sulfuric acid, makes desirable the location of producing units close to consuming industries. However, substantial investment in supplementary development—transportation and power—must be made before chemical production can be established in Kwangtung on an economical-secure footing.

Report from Chungking

Throughout August there was a deepening of business depression and slack activity in every field of commercial activity. Politically the outlook is obscure; that the KMT forces are no match for the victory-inspired Communist armies has become patent. The arrival of Chiang Kai-shek in Chungking and his efforts to bolster the defences of Szechuan and to pacify all the cliques and interests in the Province may have some outward success but once the People's army attack starts there will be not much of a real defence put up. Foreign banks have

Economic Reports from Thailand

(From Our Correspondent)

It is interesting to learn that Thailand was the only country in the Far East which was able to show a favourable balance of trade for 1948. Imports in 1948 totalled 3,478 million baht or US\$173.9 million as against exports which amounted to 4,070 million baht or US\$203.5 million thus showing a balance of US\$29.6 million in the country's favour. All other countries in the Far East showed unfavourable trade balances: Japan US\$422 million, Indonesia \$43 million, China \$59 million, Hongkong \$125 million, India \$80 million, Korea \$181 million, Malaya \$29 million and the Philippines \$194 million. Of these Malaya, Indonesia, China and India in the order named, showed the smaller unfavourable trade balance.

However, according to these figures while Hongkong's general trade during 1948 showed an excess of imports over exports, the opposite was the result in so far as the Colony's trade with Thailand was concerned. The figures show that during 1946 exports from Thailand into the Colony amounted to HK\$29,387,100 while imports into Thailand totalled HK\$45,984,125 thus showing a favourable balance for Hongkong HK\$16,597,024. The same favourable balance was shown in the figures for 1947 and 1948. During 1947 imports from Hongkong into Thailand amounted to HK\$59,901,476 in value and exports to Hongkong totalled HK\$86,555,594—again a favourable balance in favour of Hongkong of HK\$36,653,118. During the year the principal imports into Hongkong from Thailand were foodstuffs, oils and fats, while exports from Hongkong were foodstuffs and provisions generally. In 1948 the position was that imports into Thailand from

Hongkong totalled HK\$96,223,500 and exports to Hongkong amounted to HK\$140,153,000.

Tin Ore

Government royalties from Thailand's tin ore exports during the first six months of this year totalled 19,162,351 baht which is the largest amount yet earned since the end of the war. It should be recalled in this connection that all exporters of tin from Thailand are required to surrender 50 per cent of their foreign exchange proceeds to the Government by accepting for this portion baht at the official rate of exchange. With the remaining fifty per cent goods of any kind may be imported.

The United States and Malaya are the leading importers of tin ore from Thailand and the registered rise in royalties is due to the steady increase of these exports to Malaya, which rose from 3,717 piculs in January of this year to 17,017 in June. On the other hand exports of tin ore to the U.S.A. after rising from 2,390 piculs in January to 14,742 piculs in April dropped to 5,035 piculs in May and 795 in June. This may to some extent be attributable to the reduction in the price of tin ore from Singapore from £554 per ton to £553.10/- per ton, to which Siamese producers refuse to consent. There is also some uncertainty as to the future world price which has temporarily held up buying transactions especially by the American market.

Rice

Exports of rice which have weighed heavily in favour of Thailand during the post-war years included purchases by the U.S.A. for relief purposes in Europe and China,—report has it that this relief purchasing will come to an end after this year. Exports totalled US\$43 million during 1948 and during the first seven months of this year amounted to approximately 804,409 tons out of a total target for the year of 1,170,000 tons.

While Thailand's favourable balance of trade depends almost entirely upon rice exports, which go to nearly every country in the world including rice growing countries such as India, Japan in accordance with a trade agreement with Thailand also imports large quantities of rice in exchange for railway equipment and other commodities. During the first seven months of this year India imported 245,137 tons of Siamese rice; Malaya 148,153 tons; the Netherlands and dependencies 83,842; Hongkong 35,166 tons, United Kingdom 26,110 tons and Europe generally, excluding the U.K. 25,298 tons.

The July rice exports were the lowest for the year attributable in large measure to seasonal causes. At the same time complaints have been received as to the quality of these exports. In Hongkong for instance Government purchased rice for ration distribution has been inferior to that bought on the open market. The maintenance of the standard of these exports and other commodities, such as rubber, is becoming a major concern of the Ministries concerned. The International Emer-

gency Food Control recently refused to accept a consignment, which may force the Government to take adequate steps to guarantee that future shipments are up to standard.

Several suggestions have been put forward as to the best way of combating this tendency by exporters to lower their standards or to ship goods inferior to the samples submitted, one of which is that the Government should institute a special supervisory board to inspect all exports, especially in so far as quality is concerned. Stricter supervision is undoubtedly essential and has been urged for some time past. Buyers abroad would welcome any steps taken and the present falling short of standard is acknowledged to be having a definitely adverse effect on the volume of exports—an effect which, unless prevented, will become more apparent during the coming months.

It has been announced that Thailand's total production of rice for the coming year will reach 1.8 million tons, of which, given the necessary transport facilities, some 1.5 million tons could be exported. It is on the urgency for better equipped and extended railways that the trade agreement with Japan was based. At the time Japan's tenders for rolling stock were submitted it was estimated that they were considerably lower than those submitted by other countries, and it is anticipated that with the arrival of at least some considerable part of the amount arranged, the transport situation will be eased.

Publicity Department

Like all other Far Eastern countries, Thailand is becoming modernised, with the Publicity Department getting under way with a request to the Government for allocations towards the purchase of a 100 kilowatt transmitter to give small crystal receivers throughout the country a better reception. The sum of 24 million baht has been put forward towards operating expenses and other Government publicity efforts. Transmitters have already been ordered from the United States in large quantities.

Pacific Union

The first Philippines Minister to Thailand, recently arriving in Bangkok to take up his post, expressed the hope that Thailand would join the Pacific Union which he expressed as being intended to ensure the alleviation of people's troubles and at the same time to prove that the members of the Union can do better than under communism. The Union was not aimed at doing damage to others, he asserted, but self-help, social and international help would be its guiding principles.

American lawyer in Bangkok

An American lawyer is now practising law in Bangkok, with his office at No 4 Hongkong & Shanghai Bank Building, in that city. He is Albert Lyman, a member of the District of Columbia Bar (Washington, D.C.) and of the Bar of the Republic of Korea. For several years past he has been connected as one of the legal advisors to the U.S. Army and Navy Military Government and Occupying Forces in Okinawa, Ryukyu Islands, Korea, and Japan.

FOREIGN TRADE OF THE PHILIPPINES

FIRST HALF YEAR 1949 COMPARED WITH 1948

(in Pesos)

Month	1949			1948		
	Total Trade	Imports	Exports	Total Trade	Imports	Exports
January	139,808,710	99,203,670	40,605,040	168,756,643	91,465,820	77,290,823
February	148,146,009	105,063,518	43,082,491	172,918,845	108,417,862	64,500,983
March	186,592,751	136,377,480	50,215,271	175,560,504	125,094,966	50,465,538
April	124,373,818	76,760,529	49,613,289	161,083,915	98,722,256	62,361,659
May	120,480,336	70,536,144	49,944,192	141,840,940	102,703,448	39,137,492
June	136,383,985	86,694,717	49,689,268	135,039,959	79,730,908	55,309,051
Total First Half Year	855,785,609	572,636,058	283,149,551	955,200,806	606,135,260	349,065,548